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THE RURAL HOUSING REVITALIZATION ACT OF 1989

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

LEGISLATION TO BENEFIT CITIZENS IN RURAL NORTH CAROLINA AND RURAL AMERICA

JULY 15, 1989—ELIZABETH CITY, NC

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THE RURAL HOUSING REVITALIZATION ACT OF 1989

SATURDAY, JULY 15, 1989

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Elizabeth City, NC.

The committee met at 9:30 a.m., in the Kermit E. White Graduate Building, Elizabeth City State University, Senator Terry Sanford (presiding).

Present: Senator Sanford.

OPENING STATEMENT OF SENATOR SANFORD

Senator SANFORD. I call to order this hearing of the Committee on Banking, Housing, and Urban Affairs. The proceedings will be recorded to become part of the committee record in Washington for guidance on future legislation as we deliberate the present rural housing need before the Senate. This hearing ties in with not only my concern with rural housing, but with my concern for the quality of rural life in general. I expect over the next few months to hold five other hearings across the State on various aspects of rural life in North Carolina. Forty-five percent of the population of North Carolina live in rural areas and we are going to do our part to see what ways we might help enhance the opportunity and quality of rural life.

This coming week will be a good week for rural America. The Senate will consider a comprehensive rural development bill, the Rural Partnership Act of 1989, engineered by a task force of Senators of which I am a member. The bill will address many of the economic needs of eastern North Carolina, and, for that matter, all of rural North Carolina. This coming week I also expect to introduce my bill, which is the Rural Housing Revitalization Act.

I have worked with many of the people who will testify today, and as we put this act together, this hearing will provide additional information that will help us refine the bill as we go to committee hearings to bring this bill out to the Senate floor. It may very well be that we will blend our rural housing bill into a broader housing bill, but, in any event, we need to gain all of the advice and information that we can from people who have had first-hand experience with housing in rural North Carolina in particular.

I think it's encumbent upon me to take a lead in rural housing. In the first place, the housing crisis in rural areas was being neglected. Rural housing was not adequately addressed by the National Affordable Housing Act. In fact, the chief staff person in the Subcommittee on Housing said they just didn't think there was any particular demand for doing anything about rural housing. Now I believe that we have demonstrated to them not only a great deal of demand, but a great deal of obligation to help those who need affordable housing in rural America.

The Nation experienced a serious decline in housing in the last 8 years. For the first time in history, we have seen a declining rate of homeownership, and, for the first time in history, we have a definable problem called a homeless problem. Now, surely we have had some people without shelter, a few, but never before was the homeless problem a tremendous crisis for this country. In the 1980's, the number of homeless have spiraled as the stock of housing diminished in relation to the need over the last 8 years.

The primary Federal rural housing programs are administered by the Farmers Home Administration, and the Agency provides a critical supply of rural housing units for low-income families. Since 1981, funding for these programs has been cut in half. Now, obviously the Farmers Home Administration hasn't been able to do as much as it could have done if adequate funding had been available.

The legislation I will introduce will increase funding for the Farmers Home Administration housing programs by $500 million over a 2-year period. The legislation targets this Federal funding to counties that have heretofore been largely underserved. The bill provides for an outreach program through which the Farmers Home Administration will alert local and State government entities and community and nonprofit housing organizations in underserved areas of the availability of funds and how they might take advantage of FmHA programs.

The bill also provides a new program through which the Farmers Home Administration will help develop nonprofit and community housing organizations in areas that have been underserved and subsequently neglected. Moreover, the bill encourages new public/private partnerships to help nonprofit organizations obtain private investment, stretching Federal dollars for more housing.

The bill also enables those who are in the business of rental housing, we call it 515 housing, low-cost rentals, to take on individual homes that have been foreclosed under the 502 single-family homeownership program. Instead of throwing these homes out to the market, we want to look at how the people in the rental business might take that house and then rent it. I think that is going to save a great deal of money. Certainly it's going to make low-income, single-family housing available on a rental basis which before hasn't been possible.

There are a lot of special problems in rural America. Rural areas have fewer lenders than urban areas and so how do we get around that? Even where we have people who can indeed take advantage of these programs, how do we manage to get the funds available to them? We are looking at a very small pilot program—a guaranteed loan program—authorizing Farmers Home to ensure up to 90 percent of loans to purchase single-family residences or to rehabilitate houses. This is targeted toward those counties that lack available mortgage credit.

I think the Farmers Home programs are structurally sound. I think they benefit a great number of North Carolinians. I think what we are doing now through this new legislation will enhance the opportunity for Farmers Home to reach more people and to get to the problem of inadequate housing.

We have to help the Farmers Home Administration find ways to administer enthusiastically these programs more. We have to find a way to let the Farmers Home Administration react more promptly and more innovatively and to reach out and let people know what is available.

I think one of the problems in North Carolina generally has been that we haven't taken advantage of Federal programs. We haven't, in my judgment, received a fair share of the money back for the money we have paid into the Federal Government. We are very low on that list and we certainly rank almost at the bottom of States in the number of houses that are occupied and substandard, and I want to do something about that.

I think that we not only have that obligation, but I think that it is a good investment. The more people that we can help have affordable homes, the more prosperous the community becomes, and then greater economic tools exist to better existing housing. So we are looking at ways that this office can help people and community leaders and nonprofit organizations and private investors understand what is available. We are trying to make those available funds more effective in gaining better housing. And we are trying to make our office a means of facilitating the proper use of these programs.

I am very pleased that a number of witnesses have agreed to come and put into the record their testimony on the rural housing problem facing the Nation. We have talked with many of these people over the past year or so as we attempted to shape our own concepts of what we can do within the framework of what is possible. We will have testifying on the first panel Ned Fowler, who is executive director of the Northwestern Regional Housing Authority, and he will also be representing the National Rural Housing Coalition.

Then we will have Tom Honeycutt, who is the president of the North Carolina Council of Rural Rental Housing with the Weaver Group, real estate people who have been very successful and also very civic-minded with their approach to housing.

Then Linda Shaw, executive director of the North Carolina Low Income Housing Coalition. She has been very helpful to us in understanding the rural housing problems and the possible solution.

And then Lee Forbes, past president of the Home Builders Association of Northeastern North Carolina. They, too, have been looking at housing in its very broadest sense in terms of public need. I will now call on you in this order to summarize your testimony and submit your statements to the record where they will be printed in full. Right now give us an idea of what you think the principal parts are that we should be considering. Mr. Fowler.

[The complete prepared statement of Senator Sanford follows:]

Terry Sanford

United States Senator
for North Carolina

News Release

Opening Statement of
Senator Terry Sanford on
the Rural Housing Revitalization Act of 1989
July 15, 1989

I call to order this hearing of the Committee on Banking, Housing and Urban Affairs. The proceedings will be recorded to serve as guidance for future legislative work on the Rural Housing Revitalization Act of 1989 and on other legislative efforts to benefit housing in rural areas.

In the upcoming months I plan to hold a series of hearings on rural issues - from housing to health care to economic development. Forty-five percent of the population in North Carolina lives in rural areas, and I think they deserve a chance to speak their minds on the issues that are critical to them.

This hearing begins a week of legislative activity to benefit citizens in rural North Carolina and rural America. In the upcoming week, the Senate will consider a comprehensive rural development bill, the Rural Partnerships Act of 1989, which will address many of the economic needs of places like Eastern North Carolina. This week I will also introduce the rural housing bill upon which this hearing centers: the Rural Housing Revitalization Act.

Before I introduce this legislation, I want to consult with the rural housing advocates and practitioners in North Carolina to ensure that the bill addresses the critical needs of the State. The testimony today will be used to make final revisions on the bill before introduction. I thank all of you for taking time on this beautiful day to testify.

The witnesses here today have first-hand knowledge of the crisis in rural housing: the houses without adequate plumbing and heat; the shacks with crumbling foundations and paper thin walls; and the people with no shelter at all. Substandard housing is twice as common in rural areas as it is in urban areas and the problems are compounded by chronically high unemployment and poverty rates.

North Carolina has been particularly hard hit by the housing crisis in this country. The state ranks second in the nation in occupied substandard housing - a dubious distinction at best. Twelve counties in North Carolina have poverty rates over 20% and substandard housing rates over 10%. Nine of these counties are in eastern North Carolina.

The rural housing programs administered by the Farmers Home Administration serve as the primary source of federal housing assistance in rural areas. However, Since 1981, funding for these programs has been cut in half and unit production has fallen sharply. Tremendous demand exists for these programs, and the lack of adequate funds has limited the capacity of FmHA to help solve rural housing problems.

To respond to the serious need for affordable housing, the Rural Housing Revitalization Act provides substantial funding increases for rural housing programs. The legislation I will introduce next week increases funding for FmHA housing programs by almost $500 million over a two year period.

The legislation targets federal funding to counties with high rates of poverty and substandard housing that have been traditionally underserved by FmHA. The underserved areas component sets aside a percentage of FmHA loan authority to be used in areas like Eastern North Carolina. It requires FmHA to administer an outreach program in underserved areas to alert the communities that funds are available for housing assistance.

In addition, the legislation creates two programs to catalyze non-profit housing activity. First, the bill authorizes a capacity building grant program to develop non-profit and community housing organizations in underserved areas. The grants may be used for a number of activities including technical assistance and training in housing development, administrative costs, and the preparation of applications for housing assistance. The program will help housing organizations get on their feet in underserved areas, and provide a source of continuing housing assistance in the area.

Second, the bill will also help non-profit organizations develop low-income rental housing through a Public-Private Partnerships Demonstration Program. FmHA will provide grants to non-profit organizations for up to 60% of the development cost of a rental housing project. The commitment of FmHA to the project can then be used to attract private investors in return for tax credits or low-cost loans from local lenders or State housing finance agencies. This program will involve non-profits in rental housing development and stretch federal dollars through the use of private investment.

The legislation also expands the important role that the private sector plays in rural housing assistance. It allows for-profit developers to convert Section 502 inventory properties to Section 515 rural rental housing and saves FmHA millions of dollars in the process.

In addition, the bill opens up homeownership opportunities for very-low-income households. It authorizes the use of deferred loans in the Section 502 program to help states utilize the 40% set aside of 502 funds for very-low-income families. Through the deferred loan program, FmHA will be authorized to defer up to 20% of the principal on Section 502 loans to families that cannot afford a Section 502 loan at the deepest subsidy now available. The Housing Assistance Council has estimated that this program will lower the income level needed to obtain homeownership through the Section 502 program by nine percent.

The legislation also considers the financing needs of low- and moderate income families. Many rural citizens have serious difficulty obtaining financing for housing purchases and rehabilitation. Rural areas have fewer lenders than urban areas, and lenders are less likely to use federal secondary market loans because of the low volume of housing loans and the paperwork involved. To address this mortgage credit gap, the bill creates a guaranteed loan program for households whose income lies below 100% of area median. The guaranteed loan program authorizes FmHA to insure up to 90% of loans for the construction or purchase of single family residences, and for the rehabilitation of housing. The guaranteed loans are targeted toward rural counties that lack available mortgage credit.

The Rural Housing Revitalization Act provides comprehensive support to the FmHA rural housing programs. I know that many of you have concerns about the administration of FmHA housing programs in North Carolina, and I share your frustration. I look forward to hearing your testimony on this issue, and I hope that this legislation will help to solve some of the administrative difficulties. While the FmHA programs are structurally sound and benefit a great number of North Carolinians, we must push FmHA to enthusiastically administer the programs for the benefit of low-income households and underserved rural areas.

OPENING STATEMENT OF E.G. "NED" FOWLER

Mr. FOWLER. Thank you, Senator Sanford, ladies and gentlemen. I bring salutations from the National Rural Housing Coalition Board of Directors and the North Carolina Regional Housing Authority Board of Commissioners. I have been fortunate to serve with both these groups for several years in attempts to improve housing opportunities for those less fortunate in rural areas. It pleases me to have the opportunity to share with you some of our experiences and concerns.

I am encouraged to see the consideration and regard for rural housing needs evidenced in the U.S. Senate by the National Affordable Housing Act. The special focus on measures to address these needs provided in the draft of the Rural Housing Revitalization Act is, I believe, an additional step in the right direction. The Sanford bill recognizes the demonstrated need for the additional funding for FmHA rural housing programs and directs these resources to those most in need. By expanding the number of counties eligible to be targeted as underserved, Senator Sanford's initiative will allow local efforts to be distributed in a more effective and equitable manner. Essentially to the success of this targeting approach is the Sanford bill's Capacity Building Grant Program.

State and local governments rely heavily on public and private nonprofits for provision of housing administrative and development services. This is particularly true in rural areas which are most often at a marked disadvantage to fund the cost of nonprofit housing delivery. Federal dollars for these purposes are likely to have significant impact on local needs due to the mission orientation and grassroots leadership of community-based organizations and nonprofit agencies. I would like to see more emphasis placed in support of local capacity building, even beyond the $10 million annually proposed in Senator Sanford's legislation, because I believe these are monies well spent.

A similar enthusiastic support should be voiced here for the Senator's public/private partnership demonstration program within FmHA. Again, the local nonprofits will be funded to encourage private sector involvement in needed development of low-income housing. As you know, recent tax legislation has significantly reduced private sector investment in assisted housing resulting in production falling off dramatically. Left unchecked at current levels of Federal spending, the trends of declining production, loss of subsidized dwelling units and steadily increasing demand will result in a staggering shortfall of affordable housing in the not too distant future. These national issues become of even greater concern when examined specifically in rural areas, many of which even now have a disparagingly short supply of decent, affordable housing stock. Coupling limited public resources with entrepreneurial private initiative both stretches the Federal dollar and ensures the effective and efficient development demanded by profit motivation.

A word here about the FmHA Self Help Housing Program, one in which eligible owner/builder families provide shared labor in exchange for equity and an interest credit assisted mortgage. We believe this approach to the provision of largely first time homeownership opportunity for rural families is important and we encourage legislative support for increased funding of both the section 523 Technical Assistance and the section 502 Mortgage Loan Programs. Our experience confirms that homeownership is a more positive and permanent housing solution for these who qualify and are willing to make the required effort than the more widely available Government assisted rental assistance. Homeownership not only improves living conditions but most often improves people, providing a basis for economic upward mobility and for increased personal pride and responsibility.

It is unfortunate that I have to report here that FmHA self help housing resources is often far less than enthusiastic. Fewer and fewer nonprofit technical assistance contractors are able to overcome the impediments of inadequate provisions for staffing, unbearably slow Federal processing, gapped funding and heavy work loads on FmHA field staff, which are regularly encountered with this program. The result of these problems significantly limits areas in which self help housing opportunity are available. Notwithstanding a positive past record of self help housing development, along with dedicated recent efforts and investment, our local public nonprofit in northwestern North Carolina is currently losing the battle to maintain this important homeownership resource. We are not alone in this. Similar difficulties with FmHA Self Help Housing Administration across the country have been thoroughly documented in recent months by the Housing Assistance Council of Washington, DC. The problems of those attempting local self help housing efforts can, I believe, be summarized in our mutual need to receive responsibility in cooperation from a bureaucracy which has been exhibiting little consideration and an apparent lack of regard for the program as a component of its legislative charge. How do we elevate the importance of this resource within FmHA to effect greater availability and impact on local needs? Perhaps some capacity building within the Federal agency and with its constituents is needed.

We would welcome the opportunity of further defining the issues and working with the committee in the development of appropriate solutions at your invitation and convenience.

Housing is an expensive commodity for all socioeconomic groups. The affordability gap in rural housing can and will be narrowed for families with limited resources when we develop the most effective and efficient cooperative efforts of both the public and private sector.

I applaud the attention and efforts of the committee in this regard. Many thanks to Senator Sanford for the invitation to address these comments and to all of you for your continuing dedication in the U.S. Senate.

Senator SANFORD. Thank you.

OPENING STATEMENT OF THOMAS W. HONEYCUTT

Mr. HONEYCUTT. My name is Thomas W. Honeycutt. I am with the Weaver Companies, based in Greensboro, NC. I am a member of the Board of Directors of the Council for Rural Housing and Development, and president of the North Carolina Council for Rural Rental Housing.

I commend you, Senator, and your staff, for the leadership you have taken in support of housing in general, and rural housing in particular. I appreciate the opportunity to take part in this hearing and to comment on your proposed Rural Housing Revitalization Act.

It is pleasing to see the interest in reauthorization of existing Farmers Home programs and the additional funding levels provided in the National Affordable Housing Act and the Rural Housing Revitalization Act. As of 2 days ago, the Farmers Home Administration in North Carolina had loan applications which they are ready to obligate representing more than $11½ million. This is over and above the approximately $23 million that our State was allocated for the current year, which is already obligated. If built, these loans would translate into 265 rural rental units for our State. Hopefully, the cut backs FmHA has experienced in recent years are beginning to reverse with the recognition that FmHA housing programs are among the most successful in our nation.

I don't know if any counties in our State would qualify or could be targeted as an underserved area, but current FmHA procedures do give priority to such areas. The lack of housing development in areas such as these may be attributed to several factors, the most fundamental of these being that it simply may not be a good business decision to build in these areas.

Project preparation advances as a part of targeting underserved areas disregard the lack of infrastructure to support the community organizations, nonprofit organizations, state and local entities who would be eligible for these advances. Private/public partnerships as described in the act is an interesting concept, and assumes a commitment by Farmers Home to a project, along with tax credit financing of loans or other assistance, will attract private investors. But please remember, Senator, a Farmers Home commitment alone, which to an investor represents a possible 8 percent return of equity, will not attract investors.

I understand the congressional concerns that underlie consideration of permanent affordability and prepayment of FmHA rental housing projects. Certainly along with the provision of additional affordable rural housing, one of the most vital issues is the preservation of our low-income rural stock. However, for there to be preservation, there must be such low-income housing in the first place. In that regard, let me mention several very important facts. First, as of September 30, 1988, profit-motivated developers have produced 77 percent of the 515 programs under management. Without private sector participation, only a fraction of rural Americans now served by the section 515 program would be living in decent housing.

Second, for there to be profit-motivated developers, there must be an opportunity for a realistic market-driven profit if the developer is to participate in the program. This motivation does not come from cash flow on the project, which is limited to 8 percent of the 3 percent stated equity—a base which never inflates over time. The low-income housing tax credit program, although a central incentive for a project to be built, is not a sufficient incentive to achieve the desired results.

Indeed, those in Congress looking at this issue have reached the same conclusion. In the legislation to extend the low-income housing tax credit, the sponsors realized that there had to be the incentive of appreciation to entice the necessary private investment. Accordingly, under the now proposed legislation, after a 15 year compliance period, the owner can sell at a price that takes into account the CPI increase applied against the value of the building, with the CPI being at 5 percent annually.

Third, the profit motivation is essential, not only to getting the project built, but to assure its proper maintenance and management over time. Loss of economics and common sense dictate that an owner having an incentive for a profit on resale will take better care of a building than an owner who knows that no matter how good a job he or she does, there will be no possibility of profit at the end.

How then do we reconcile the desire to continue occupancy by section 515—eligible tenants for the life of the mortgage, and to permit an owner to look to a reasonable profit on sale or refinancing of the project after a reasonable period? This goal can be accomplished at virtually no expense to the Federal Government, first of all, by requiring the owner to maintain section 515 for the 50-year period. Thus, an absolute prohibition on prepayment is not needed.

Second, the establishment of a guaranteed loan program for the amount of the developer's equity in the project. Accordingly, after a specified period, such as 15 years, the developer could obtain an FmHA second mortgage for 90 percent of the then equity in the project. This would permit the developer to borrow the cash needed for necessary repairs or to provide a return on capital. Because the loan would be guaranteed and not a direct loan, it would not be a debit against the ability of Farmers Home to utilize its currently obligated funds to make loans for new projects. After an owner is obtained for such a loan, he or she would not be able to obtain another such loan on the project for another 15-year period.

I believe that these are constructive suggestions to accommodate both the twin aims of preserving the low-income property while offering the economic incentives for such property to be built in the first place.

Before closing, I would like for you to consider lending support to the proposal to give automatic low-income housing tax credit allocation to sites which have been awarded FmHA 515 funding as described in the attachment.

Again, let me say that I consider the 515 program in North Carolina to be the most successful rural housing program in the Nation, and I attribute this success in large part to the FmHA star here in North Carolina.

The quality of construction and management in our State sets housing standards for the rest of the Nation. Thank you.

Senator SANFORD. Thank you very much.

I will have questions for you so you can give us some more detailed analysis. Some of these are elaborated upon in your statement, but I would like to have a little more of your advice on how to handle the 515 refinancing proposal. I will submit to all of you a few additional questions that we will put into the record at the proper place, without going into all the technical details this morning. Thank you very much. Linda Shaw.

OPENING STATEMENT OF LINDA SHAW

Ms. SHAW. Thank you very much, Senator Sanford. Distinguished members of the committee, my name is Linda Shaw. I am the executive director of the North Carolina Low Income Housing Coalition, a state wide nonprofit education and advocacy organization whose members include nonprofit groups, government agencies, low-income citizens, and other individuals and organizations dedicated to the provision of decent housing for low-income people. Thank you for the opportunity to testify at this hearing.

The coalition appreciates your concern about the housing needs of low-income North Carolinians, and we applaud your initiative in addressing the special concerns of rural North Carolina.

Decent, affordable housing for low-income households is a problem throughout the State, but the situation is particularly critical in rural areas. In North Carolina, rural housing is more likely to be overcrowded and is over three times more likely to lack complete plumbing facilities than its urban counterparts. Over 100,000 homes still rely on outhouses—more than any other State in the union. The poverty rate is approximately 60 percent higher in rural areas and indications are that the income and poverty gap between urban and rural is widening.

We are pleased that this bill calls for increased funding for FmHA rural housing. I think all of us here realize that much more money is needed, given the magnitude of the problem. However, this bill, in conjunction with other major housing legislation, such as the National Affordable Housing Act, is certainly a step in the right direction. We hope this will be the beginning of a movement to raise low-income housing needs, and especially those of underserved rural areas in our national priorities.

Currently North Carolina is utilizing most of its FmHA housing money. As of May 31 virtually all of the 515 rental housing and rental assistance funds had been allocated. Sixty percent of the 504 loans were obligated, and 85 percent of the 502 homeownership loans were obligated. There is a source of concern.

For that reason, we are intrigued by the bill's innovative deferred loan program, which is intended to increase the number of very low-income households who can buy their own homes. We suggest caution in its design, however, to assure that it does indeed benefit these households. Furthermore, we encourage tighter targeting of the guaranteed loan program to assure that it reaches the very low-income. Without stricter targeting, only the households in the upper end of the income bracket will benefit from this program.

Although Statewide utilization of FmHA funds is high, it has not been uniform across the state. Some counties use more than their initial allocation, while others use little, if any. Thus, the coalition is specially placed by the targeted assistance to underserved areas. The designation of 60 communities in fiscal year 1990 and 100 in fiscal year 1991 double those proposed in the National Affordable Housing Act, clearly a significant improvement. It does not go far enough, however. We could identify 12 to 15 such underserved areas in North Carolina alone.

Careful consideration should be given to the administration of this program. Why has the available FmHA money been underutilized by these counties in the past? Clearly, it is not from lack of need. There may be contributing factors, but primary responsibility for underutilization must lie with the local FmHA office. If they have not aggressively pursued housing loans in the past, there is little reason to believe a special designation will change things. There must be teeth in the legislation to assure that funds are utilized. A couple of options to consider: First, community-based organizations, nonprofits and service agencies with allowable income clientele, such as legal services, do a much better job of outreach to the low-income community than do the FmHA offices. Specify that FmHA could fulfill outreach requirements by contracting with such organizations. This could be carried a step further. These programs could also do initial-qualifying screening of applicants thereby cutting down on paperwork for the agency and assuring that people are not being arbitrarily denied assistance.

Another alternative is to establish a quota for the use of housing funds. If this quota is not met, allocations for nonhousing FmHA programs could be cut. That will wake up a few local offices.

The question as to why funding is not utilized extends beyond those communities that are designated as underserved. In some counties, very sympathetic county supervisors will do everything they can to get housing money, while others won't even look at a housing loan application. Some feel their time is better spent on large agricultural or industrial loans which result in more money for the same amount of paperwork. Plus, more FmHA local employees do not come from a housing background. They do what they know best. They may also feel pressure to protect their loan portfolio since this is one criteria by which job performance is measured. Subsequently, FmHA is a very conservative lender with a very low default rate. But is this a good measure of an agency established to meet the needs of rural people? Perhaps they could fulfill their mission much better if they took more risks, exhibited more innovation and creativity, and accepted a higher default rate.

The message must come from the top that housing is a priority, and that the level of comfort on risk taking has been raised if unmet rural housing needs, especially those of very low-income residents, are to be met.

One of the most existing components of the legislation is the grant program for capacity building. In most rural areas, the lack of expertise in housing development is nearly as critical as the lack of money. Even in urban areas with many more resources available to them, many well-intentioned nonprofit groups have developed housing by the trial and error method. With more training and technical assistance, much of this could be avoided, thereby speeding up the process and holding down the costs of housing development.

The capacity building grant will help promote the development of such expertise and provide a lasting base for continuing housing development activities. Because these grants develop local capacity that endures beyond a specific project, the grants are preferable to the project preparation advances included in the National Affordable Housing Act. Extending eligibility for the grants to a variety of entities—community organizations, nonprofits, and State and local governments—should provide sufficient options for someone in the community to pick up the ball. This flexibility is a good feature. It is unclear, however, how the funds will be distributed and who will receive funding if there are competing groups within a county.

Our major overall concern about the bill as a whole is that its impact depends heavily on the design of the proposed new programs, which apparently will be determined by administrative regulation. It is critical that people with experience in providing low-income rural housing be involved in the writing of the regulations just as we have been consulted about the bill.

In conclusion, certain aspects of the bill need fine tuning, and obviously more funding is needed overall, but the coalition strongly supports the major thrust of the legislation. Rural housing problems are among the most pressing and the most difficult to solve. Components of this bill, particularly its attention to underserved areas and the capacity building grant are positive steps toward meeting these needs.

Again, thank you for the opportunity to present our concerns to you today.

Senator SANFORD. Thank you very much. Mr. Forbes.

OPENING STATEMENT OF LEE FORBES

Mr. FORBES. I am Lee Forbes, general contractor specialist in custom design with the Albemarle. I am a member of the Home Builders Association of Eastern North Carolina.

It is a pleasure to be here today to comment on this legislation. This legislation is to expand the rural component of the National Affordable Housing Act.

We are very supportive of Senator Sanford's reaffirmation of support for rural housing programs as administered by the Farmers Home Administration at the Department of Agriculture. These programs have provided low-income families and the elderly with affordable housing since the passage of the 1949 Housing Act.

We urge that the rural programs not only be extended for 2 years as authorized by Senator Sanford's legislation, but that rural authorizations be made permanent. This was done for FHA in the 1987 Housing Act. The section 515 multi-family program, like FHA, was stopped several times in 1986, 1987 because Congress did not pass reauthorization legislation on a timely basis.

We are pleased that the additional $100 million provided for rural housing programs in the fiscal year 1990 budget resolution is included in this bill. Your leadership in instigating the increased funding which was included in the budget resolution is exemplary. You have recognized the great demand for rural programs, where 55 percent of the households make less than 50 percent of their median income.

We are also pleased that a provision to allow developers to convert section 502 single-family housing inventory properties to the section 515 multi-family housing program is included in this legislation. Currently, the housing act restricts conversions to nonprofit organizations and public bodies. Inclusion of this provision would save FmHA millions of dollars each year by making section 502 homes in inventory available as rental housing.

Additionally, we are pleased that you have included a section 502 loan demonstration program. The provisions of the Rural Housing Revitalization Act state that income cannot exceed 100 percent of median and the mortgage amount cannot exceed the FHA limits. The loan guarantee is limited to 90 percent of the loan and the interest rate is based on the Veteran's Department loan guarantee rate or comparable rate for the area. Loans under this program would be guaranteed by Farmers Home in areas not adequately served by other mortgage lending institutions.

We urge that the interest rate under the new section 502 loan demonstration be negotiated between the buyer and the lender and that a 100 percent guarantee be provided. Both of these changes will hopefully increase lender participation in the program. Reluctant lenders are a common problem. They refer to the bankers with the Savings and Loan Association as getting cold feet about spending any money. Lenders in rural housing programs are hesitant because of the generally unstable economic environment which generally exists in a rural area. We don't know if we are going to have 6 more months of rain. If we do, we are all going to convert to rice paddies.

We are concerned, however, with the section creating a deferred loan program under the section 502 single-family program. A deferred loan program, which allows a buyer to defer principal, as well as interest on the loan, could add greatly to the cost of the program at a time of tight budget priorities. Higher subsidy costs and negative amortization would likely occur under this program. Even though the deferment is limited to 20 percent of the loan principal, negative amortization would still occur. Additionally, future programs may arise due to increased loan delinquencies and foreclosures. While we appreciate the commitment to underserved areas, we question the increases in the amounts set aside for the program. The Rural Housing Revitalization Act doubts the number of counties and the funding set aside provided in S. 566. It is important to see if the program works before increasing its universe. Additionally, any unused funds should be released to the general funds if they are not used within 9 months.

We are also concerned with capacity building grants which only provide technical expertise without providing any additional units of housing. These grants are limited to nonprofit organizations, community organizations and State and local governments. The private/public partnership demonstration program which provides grants for the development of low-income rental housing is also limited to nonprofit organizations.

We urge you to make private sector builders and developers engage in these programs. By including the private sector in these programs and others currently limited to nonprofit, housing will be built in a more efficient manner for less cost.

In conclusion, it is important to emphasize that current Farmers Home programs are working well. The Farmers Home Administration is spending all the funds appropriated by Congress. Defaults under section 515 are less than 1 percent and section 502 inventory has been substantially reduced. The Farmers Home Administration provides the best delivery system to serve low-income families and the elderly in rural areas. Changes in these programs should be carefully analyzed.

Thank you again for the opportunity to testify today.

Senator **Sanford**. Thank you very much. Let me ask you to elaborate a little bit more, about trying to broaden the basis of homeownership. We obviously want to increase the availability of that. We certainly don't want to decrease the availability.

We want to try to meet that homeownership need where homeownership is preferable to renting. Homeownership may prove less costly to the Government than the 515 rental housing program, especially if it is necessary, as it might be, to provide rent and subsidy, also. The analysts indicate that it might very well be cheaper to have a deferred loan program than to have the rent and subsidy. Whether this is the case, how can we improve the process of picking that kind of a person that has a fairly good chance of some level of upward mobility?

I didn't get the exact feeling that you said don't do any deferred mortgages, but I would like to have you elaborate a little more on that.

Mr. **Forbes**. Well, I tried to use the phrase all the way through my testimony of concern, rather than stating don't do it or do it. The testimony, as I said, is the composit of conversations last week between local members that deal with these programs; State and national offices, Larry Summer, former State president of the Home Builders Association who is now head of the National Home Builders Association Community on Rural Housing. Probably the greatest body of my testimony are his ideas and comments. But as my understanding goes on this, it is a matter of concern to take someone who is required but who cannot make a one percent loan interest rate or payment without a specific short-term cost from an injury, illness, catastrophic medical problem in the family. Someone that cannot be promised, someone who cannot meet these requirements without short-term costs would be a concern if that became policy to lend to people that just couldn't pay it. And, again, it's because of your bill being in a draft situation, we are hoping that these concerns will be considered and addressed specifically in legislation. If safeguards could be built in that we could screen applicants, that would help these concerns greatly.

Senator **Sanford**. Thank you.

What about the provision that we have added that the 502 default inventory can be taken up by 515 developers?

Mr. **Forbes**. Since the developers assist it open to private sector under your proposed legislation, we are to encourage that. I don't think that you are going to find many builders that wouldn't like a shot at taking some housing. This has been done in the Baltimore area where private-nonprofit organizations have come in and involved the people that are going to be living in the house and used it as a training program. This has demonstrated that 502 property could be converted in rural areas, also, and also working with training programs through schools, but, we, of course, being private contractors, encourage getting private builders in there for profit.

Senator **Sanford**. Well, I quite appreciate and agree with your words of caution because there is always a risk no matter how well-to do a person is or no matter what the cost of the house is. At any rate, I appreciate your words from the private investors because certainly one of the things we want to do is to enhance the participation of private sector. I thank you very much.

Linda, thank you for all of your advice, not only today, but in the past. There are a number of things I want you to elaborate on that I will provide in written form if you don't mind. You pointed out that the Farmers Home Administration doesn't do much for underserved areas and on the other hand, we get information that Farmers Home Administration does a very good job in other areas. What do you think the problem is and what do you think we can do to get a little more attention to the underserved areas?

Ms. **Shaw**. I think a lot of the problem really depends on the outlook of the Farmers Home office. Some have gone out of their way to do housing, while others feel like the time would be better spent working with big loans, a big agricultural loan or an industrial loan. I think in many—probably most of the underserved areas are probably getting pressure from the public and particularly from the low-income level public to meet their housing needs. I know that some of the areas that are doing good work are also getting a lot of pressure from other locally-based groups, like Community Action Agency or nonprofit coalitions. They are really pressuring them to use the funds. I think this is particularly true with this program. I think that just designating these funds is not satisfactory for these areas and is not going to make a difference. The message has to come down to them that they have got to start meeting housing needs. Somehow it has to be raised in their programs and one way of doing that might be to enable some of the local people, nonprofit community-based developers in that area, to start putting some pressure on, that housing is an important need and that there is housing money available and to serve the area properly, they need to be using that money.

Senator **Sanford**. Thank you very much.

Tom, I would like for you to just elaborate a little bit more to clarify a few things that would help us with the technical aspects. I also would like to get further written information. How do you attract private investors for the public/private partnerships we have been talking about? How do you think that could be attacked?

Mr. **Honeycutt**. I think a combination of things that have been outlined may do that. The Farmers Home Loan Committee will have certainly helped, the low-income tax credit will definitely help. As I understand the proposal, the Farmers Home Loan Committee would be 60 percent and then other funds would be made up from tax sheltered syndications. The problem I see with it is that there has to be a cutback to enhance the investors on that end.

Senator **Sanford**. Thank you very much. And, of course, we need to elaborate on that. Of course, the whole success depends on the attractiveness to the private investors.

Ned, I'd like to ask you about the capacity building grant program. There is some feeling that that is not the best way to spend money. There is some feeling that you can't really build capacity that way. Do you want to comment on that a little bit either to refute that if you can or agree with it.

Mr. Fowler. Thank you, Senator.

I do understand the importance of private sector investment and the private participation in housing. But it is also true that in order to address important Federal Government programs, local governments just don't have the capacity. They don't have enough local funding to have planning—to have continuous planning for the departments, particularly in rural areas. And I think that nonprofits are crucial—community-based organizations' participation that is mission-oriented is crucial to bring across the effectiveness of those Federal dollars. Very often the profit-motivated developers feel like they might be able to do without that and it may be true, but I think the case of Farmers Home Administration 515 program is a good, capable and profit-motivated developer who is familiar with the program, for a direct line access to those funds, whereas a nonprofit development group might not get such an open-arms reception. I think there are a lot of areas other than direct broad developments where the nonprofit participation in bringing in groups that are in need in contact with Federal money or in access to the Federal money is going to be an important feature that will assist what is going on with private development. I think that is particularly true in development of single-family housing, the 502 program. It will be possible, I believe, to have an effective partnership with capacity building if the private sector or the public sector are involved from the local end.

Senator Sanford. Thank you very much.

Thank you, all of you, for your fine time and attention and energy and thought that you have given to this testimony. We will ask you for some more elaboration on the basis of this testimony. We will get all of that put in the proper place in the record. Again, I am extremely grateful to you for your help to us as we try to do something about this. Thank you.

We will ask the next panel to please come up.

[Recess.]

Senator Sanford. Thank you again for being here. Now we are going to hear from three people: Fannie Corbett, who is the executive director of the Wilson Community Improvement Association who has done some great work there. John Keller, who is staff attorney for Eastern North Carolina Legal Services also in Wilson, and Winston Sessoms, executive director of Choanoke Area Development Association.

We are pleased to have all of you here. We will start with Mr. Sessoms. I would like to have you summarize your testimony. Again, we will put your entire report and we will give you some additional questions to ask you to answer and put them in the record, too. We greatly appreciate your assistance to us as we try to prepare this legislation.

OPENING STATEMENT OF J. WINSTON SESSOMS

Mr. Sessoms. Thank you, Senator. It is with great appreciation to be asked to serve as a witness relative to the Rural Housing Administration Act and to have some input in the formation of the bill. As an advocate of low-income citizens, I accept the challenge to serve in this capacity. It is my belief that both bills will be able to reach and serve additional citizens throughout America. In comparing the National Affordable Housing Act which addresses the authorization of a new corporation to administer the program and the Rural Housing Revitalization Act referred to as Senator Sanford's bill, I make the following observation:

The National Affordable Housing Act will add another level of Government which will increase the bureaucracy and stymie implementation of the program. Senator Sanford's bill attempts to deal with rural housing in cooperation with existing agencies and the Farmers Home Administration. We support the bill in as much as it speaks to the housing needs in rural America which is desperately needed. The bill attempts to operate within and cooperate with existing FmHA departments or agencies. It also recommends additional funds in order to better serve low-income citizens.

DEFERRED LOANS

It is believed that the deferred mortgage program will enhance rural low-income citizens in obtaining adequate housing and support the criteria relative to deferred mortgage payments. But the language should be very clear and absolute in determining the length of time the payment may be deferred and the interest rate of the deferred payment, 20 percent, when the borrower is no longer eligible for a deferred loan. The rationale being that FmHA supervisors have different opinions in interpreting the regulations.

For example: Some supervisors are conservative, moderate, liberal. According to Webster, a conservative is one that would like for things to stay as they are and a moderate is one that believes in change within reasonable limits. We support the moderate approach. This is the reason why the language must be clear because progress is the major ingredient of the deferred plan. We support the idea that citizens should pay when they become able to do so, but when citizens are declared not eligible for a deferred loan, the interest should not be increased and the one percent would continue until they are financially able to pay the mortgage and additional interest as stated in section three of the deferred section. It is also important that additional counties be served.

CAPACITY BUILDING GRANT PROGRAM

This agency supports the Capacity Building Grant Program as recommended in the draft summary in Senator Sanford's bill with the recommended addition. It is recommended that the grant should include funds for education and training for participants of the low-income community relative to the building of a home in comparison to purchasing a mobile home. Maintenance, planning, and budget, this will enable them to understand their responsibility in purchasing a home and making their mortgage payments.

GUARANTEED LOANS FOR HOUSING ACQUISITION AND REHABILITATION

We support the bill as stated in as much as it is the intent that local, State, the private sector, and existing lending institutions become involved. The guaranteed loan is one way of making this a reality and the Government will not be in competition with the private sector. It is not realistic that all citizens will become homeowners, therefore, it is suggested that Farmers Home Administration invest in public and private partnership for low-income rental housing. In rural America some of these rental units should be single-family units. Families that have increased their income should have the option to purchase. In administering these programs the language should be, as I stated, very clear and precise in order that these services may be received by low and very low-income citizens. I would like to further add and recommend that 25 percent of their income be considered as their portion of rent or mortgage rather than 30 percent. The rationale being that there are very few people who pay 30 percent of their income for housing whether it be ownership or rent.

Thank you again for this opportunity to testify and we appreciate it very much. Thank you.

Senator SANFORD. Let me ask you a question now instead of waiting until the other two panelists have spoken.

How would you think we should define the qualifications of a person who is eligible for a deferred loan? How would you go about that if you wanted to approve that loan? What would you be looking for and what do you think the Farmers Home Administration should be looking for?

Mr. SESSOMS. The first thing I would look at is present income and what the possibilities were to increasing that income. Many of these families will go into training, particularly the younger ones, and be placed in better-paying jobs, but they are ineligible, especially the younger families. They need housing now. Because of the training they will be placed in better-paying jobs and eventually they will be in a better position to pay out the money. So putting that kind of plan in process then I think that person should be able to get a deferred loan with intent to pay it back.

Senator SANFORD. In other words, there ought to be some indication that this person is out to better himself or herself financially?

Mr. SESSOMS. That's correct.

Senator SANFORD. Thank you very much.

Mr. SESSOMS. Can I mention one thing that I didn't write and that is the Self Help Housing Program. We have had an application now in for 2 years to be approved at the State level, at the screening level, so the applicant could accept housing in our particular area. We have yet to get one approved. And this is where I am saying that the language of the bill must be very clear and precise because you have administrators that don't believe in the concept and they wouldn't be of any assistance whatsoever. Some may do whatever they can to prevent the program from working in spite of change. The chances are you might have to be retired before you can get some of these programs to work because you can't change the attitude of some of these supervisors. After 25 years they have been doing it their way. My question is whether or not they can change. Now, we don't refer applicants to them that we know can't qualify. We screen them first. The changes are they would disqualify everyone in here. You have to plan your budget. These are the kinds of things to be concerned with.

Senator SANFORD. That's been very helpful. Thank you so much Mr. Keller.

OPENING STATEMENT OF JOHN KELLER

Mr. KELLER. Thank you, Senator. My name is John Keller. I am staff attorney with Eastern North Carolina Legal Services. I am speaking on behalf of that program and also other legal services in North Carolina in general. My testimony this morning will focus primarily upon affordability and capacity building. I hope to highlight some portions of Senator Sanford's proposed legislation as it relates to those concerns.

The program that I work for serves 6 rural counties in Eastern North Carolina. We have no city greater than 50,000 people in our service area and only 4 cities exceed 20,000 in population. We have approximately 92,000 poor people to serve in these counties that we are obligated to serve. Both for legal services in North Carolina and for local programs, housing issues and community economic development issues are priorities. In legal services as a whole and also within our program, housing cases comprise approximately 15 percent of all our cases. I guess the typical housing client that walks through our front door is probably considered as a workingforce family, either a single-family household or two-person household. The main source of income is derived either from the secondary labor market jobs, such as tobacco processing, poultry processing, or generally unskilled manufacturing work. Wages range anywhere from the minimum wage up to about $4.50 to $5 per hour. All the clients that I see are renters. Ownership really appears to be an impossibility for the clients that we serve. The rent that our clients pay generally range from $135 a month to about $175. The major problem that we see in our clients is that rental units are almost always substandard. Within the city limits in our servicing area, shotgun houses are still plentiful and there is an abundance of other old, inadequate dwellings. Out in the county mobile homes are generally prevalent dwellings. Wood structures out in the country would probably still qualify as shacks because North Carolina ranks in the top 10 for the number of dwellings that do not have indoor plumbing. The problems that our clients face as renters in rural areas is that out of North Carolina's 100 counties, 99 do not have any type of county code. The jurisdiction of the health departments is rather limited and that puts us in a rather difficult situation trying to enforce any type of decent standard for rental houses in our rural counties.

One significant barrier in confronting our clients is the affordability issue. I think there are 3 aspects of your program I would like to highlight as it relates to affordability.

First, the deferred loan program. We believe that the deferred mortgage program is needed both to expand the scope of the 502 program and also to better target low-income persons. Homeownership and single-family dwellings have always been more prevalent in rural areas I think for economic reasons and also for cultural reasons. We feel that homeownership is something that should be encouraged. However, to target the clients that we assist, which is very low-income households, we think the deferment should be increased possibly up to the level of 50 percent. To take an example: If we assume that we have a home purchase price of $35,000, you add in taxes, insurance and utilities. Under the current 502 program, it would take—the unit would be affordable to a family with an income of $11,300. Under your proposal with 20 percent deferral that income would drop to families with incomes of $10,212. With 50 percent deferral, the income would be even lowered down to $8,600 for the year. Considering the family incomes of clients that we typically serve, which range between $6,000 to $10,000, even with the 20 percent deferral, homeownership would still be a near impossibility for our clients.

The second aspect of affordability of guaranteed loans—again this is only Senator Sanford's bill and this is a bill which we strongly endorse. Our office has done extensive work with the Community Reinvestment Act in negotiating a settlement with one of the major banks in North Carolina. In the process of this negotiation we have been able to observe several things of the lending attitudes about the banks in the east.

First, bankers tend to be very unfamiliar with what we sort of consider as untraditional lending areas and that would be low-income individuals, low-income groups, and also minority groups.

Second, this unfamiliarity then fosters their reluctance to want to lend to those untraditional lending areas.

I think the third aspect is that we need to provide incentives to the banks and encourage them to lend to these untraditional lending areas.

Under our CRA negotiation we have been investigating the possibility of setting up a principal guaranteed program in Wilson. This program is to provide a guarantee to back up the 90 percent of the principal for a small business loan. The program which we have taken our approach from is existing in Raleigh and is very successful. We are hoping to develop a model for a smaller rural community. When we came up with this idea most of the banks we have been working with under the CRA agreement have been very receptive to this idea and enthusiastic to see if it might work.

The third component of affordability is the expansion of the underserved areas. We encourage the efforts of Farmers Home to target underserved areas and also to support the greater number of areas that will be designated under Senator Sanford's bill. One comment on that is I guess that it still may not target the very rural areas. The definition is based on the poverty rate and substandard housing rate. That might not necessarily reach the most remote rural areas and perhaps one suggestion might be to investigate a population maximum that would necessarily guarantee that very rural areas will be considered as underserved.

Moving on to my second major point which I would be addressing is capacity building. As I mentioned, community economic development is a priority of good services of our program. We are allowed to represent community groups and have experience with community-based organizations. The problem with the small town in rural areas is that they lack the technical expertise for any type of a housing program. Currently such resources are really only available in Raleigh and Charlotte, North Carolina. Rural communities are going to have to look locally to develop the expertise and resources to develop affordable housing and we think that a self-help approach with the community-based organization is a good focus. This was done more extensively by Mrs. Corbett and I will let her comment on that.

Another example: In Rocky Mount there is a church-based organization which recently received a grant from the Z. Smith Reynolds Foundation. With some assistance from our office as being the first community development corporation in our service area, the CBC, which was less than two years old, has already proposed a redevelopment plan in Rocky Mount and there is a housing component as a part of that redevelopment plan. We strongly favor Senator Sanford's Capacity Building Grant Program rather than the Cranston/D'Amato Project Preparation Advance Program. Under the Project Preparation Advance Program it sort of presupposes that there is feasibility of a project and it only provides the grant for the loan under that program with the assumption that technical assistance already exists. In our local service areas where housing organization and infrastructure do not exist, such a program would fail; therefore, we feel that the grant program is essential if we are going to build capacity in local rural communities. Another reason that a grant program is in need is that in rural communities, and especially in the east, there are no entitlement cities under the Community Development Block Grant Fund. An entitlement city, when they receive a CBC grant, can take the money and do whatever they want with it and they usually defer some of those funds to go into some type of technical assistance aspect or to create loan pools. In our rural community, that money has to be targeted for a particular housing construction. Therefore, there are no extra resources in our communities that can be used for building up a community-based organization and providing technical assistance.

The idea of capacity building is really intertwined with Senator Sanford's idea with the public/private partnership. In our service area it's clear that just relying on the public is not enough. In Kinston, for example, it's a city of about 20,000 and that city has been very successful in securing community block grant funds in the last 3 or 4 funding cycles. However, in East Kinston, which is the low-income portion of town, still 80 or 90 percent of those housing units are still substandard. There are about 2,700 substandard units in that part of town and only about 110 can be reached with a successful CBC grant. Also in the City of Wilson, they have also been successful in receiving a lot of community block grant funds. However, they have only expended the grant portion of that money. They have not spent any of the loan money and that is because they have not found an effective way to make it financially attractive to the private sector. I think that emphasizes the need for Senator Sanford's capacity building aspect because a lot of public/private partnership depends on bringing together that private sector within community-based organizations that can channel tax credit and other financial incentives that want to make private developers jump in.

One suggestion for the capacity building program is that right now it just says it will be set aside; it will be funds for nonprofit, State and local governments. Historically it seems that nonprofits usually lose out when it is competing with local governments so we feel it should be set aside for nonprofits within that capacity building program.

My last comment is dealing with long-term affordability. I don't have any numbers but I would just follow Mr. Honeycutt's suggestion to take off the user restrictions—to maintain the user restrictions throughout the life of the loan. He has some suggestions how you can maintain a user restriction for a 50-year time period. We feel like right now the repayment issue is a severe problem in other HUD programs.

That concludes my comments. Thank you very much.

Senator **Sanford**. Thank you very much. It was very helpful testimony. We will be following up with you. Now, Fannie Corbett.

OPENING STATEMENT OF FANNIE CORBETT

Ms. **Corbett**. Mr. Chairman and members of the committee, my name is Fannie Corbett. I am the executive director of the Wilson Community Improvement Association. As a lifelong resident of Eastern North Carolina, I am delighted to welcome each of you to our region. WCIA is honored to have an opportunity to share with you some of the experiences and insights we have gained over the past 20 years in attempting to improve housing conditions in our local community. My testimony this morning will highlight key provisions of the legislation you are considering, which I believe are essential to continue the efforts we have underway in Wilson county and in the State as a whole.

Before I provide the committee with a brief description of the role and mission of WCIA, I would like to acknowledge the outstanding leadership of Senator Sanford on rural housing and economic development issues in Eastern North Carolina. Of course, I have followed the career of Senator Sanford over the years in North Carolina. It came as no surprise to me when he continued his effective, steady leadership in the halls of the U.S. Senate. Senator Sanford has made extraordinary efforts to obtain input from local citizens all across our State regarding rural issues. Representatives from Senator Sanford's office visited Wilson last spring and spoke with WCIA staff members about their views on rural housing. This is the first time I can recall that a Senate house has ever solicited the views of the members of my community concerning proposed legislation.

WCIA was organized in the summer of 1968 as a nonprofit neighborhood corporation. Its membership consisted of low to moderate income representatives from several neighborhood groups in the community. Our initial objectives were to involve local people in solutions to community problems such as unpaved streets, inadequate housing and unemployment.

Since its inception, WCIA's focus has evolved to meet the needs and interests of the community. Over the past 20 years WCIA has provided the following types of services to low-income citizens in Wilson. These services include health, education, neighborhood youth corp and youth organizations, day care for preschool children, counseling for welfare recipients, OJT training programs, family budgeting and planning, homeownership counseling, organized adult education classes and collecting and dispensing clothing to the needy.

WCIA's most extensive and challenging work has been in the area of housing. As a little girl growing up on a farm in Wilson county, I could never understand why some farmers' barns were in better condition than tenants' houses in the county. I will never forget the use of rags to plug up holes in windows and magazines to paper over cracks in walls in many of the homes of my relatives and neighbors. There was never sufficient heat in these units. With these thoughts in mind, WCIA initiated heat in a major campaign in the early 1970's to assist families in the county in securing 502 loans to become homeowners. Over a 3-year period, we counseled about 600 families interested in the 502 program. In 1980 we shifted our emphasis to efforts to remove older persons in our community from lives of isolation, loneliness, and despair into a more rewarding quality of life. That year WCIA submitted an application for a 38-unit HUD subsidized elderly and handicapped housing complex located in Wilson, North Carolina. The first occupants moved into the Gee Corbett Village Housing Project in February, 1984.

In 1982, WCIA became concerned that its housing efforts had not yet reached the sharecroppers, day farm laborers and migrant workers in our community. Looking back now I can say that we naively assumed that local farmers, public officials and FmHA representatives would be delighted once they learned about our interest in pursuing such a project. Now, 7 years later, after experiencing various levels of the Farmers Home Administration's bureaucracy, completing applications, reapplications, studies, engaging three or four consultants to work on the project, filing a Federal lawsuit to compel the local jurisdiction to provide water and sewer when the project is built, and still awaiting an approval on this application, I can certainly say that WCIA's commitment to fulfill this housing need has never waivered. I would certainly recommend that more investigation and consideration be given to the FmHA's appeal procedures. The WCIA application is now in its final stage of preparation and we fully expect to have this application approved by the Farmers Home Administration before December 31, 1989.

Rural housing needs in North Carolina and Wilson County: A large number of studies and reports have confirmed the high incidents of substandard housing in rural areas. My testimony this morning will highlight a few factors that contribute to the generally poor housing conditions in rural areas—particularly the coastal plain region in North Carolina. Wilson county is a prime example of conditions which prevail throughout the coastal plain region. The only urbanized area in Wilson county is the City of Wilson. In 1987, 25.3 percent of the county's rural population earned less than $10,000 annually. Many residents in the county are concentrated in secondary labor market jobs, tobacco processing, operatives and unskilled positions, resulting in many family and community needs such as housing remaining unmet. A substantial number of Wilson county households who are very low-income, have low education and skill levels. These persons are seasonably employed and live in inadequate housing. A recent study prepared for WCIA in support of its migrant housing project showed that a total of 5,142 housing units were defined as inadequate housing in Wilson county. A housing unit is classified as inadequate if any of the following conditions exist: Lack of complete plumbing for exclusive use, more than 1.01 persons per room, when more than 30 percent of the household income is devoted to rent in rental units or in owner units, if the structure was built before 1939 and is valued below $25,000 in metropolitan areas, and $20,000 in nonmetropolitan areas. Two-thirds of Wilson county's inadequate housing is occupied by low-income persons. Fourteen percent of housing in the county is heated with a wood stove or fireplace and 24 percent of the homes still have dug wells. In 1980 North Carolina still ranked 7th among all States with housing units without indoor plumbing. It is estimated that 15 percent to 25 percent of rural homes in the State have no indoor plumbing and water must be hauled from a well or a neighboring home. Likewise, there are no indoor bathrooms for these families.

There is no question that families need higher incomes to obtain standard housing. This is a long-term goal which involves many socioeconomic factors present in our region. Meanwhile programs need to be created to increase homeownership among low-income families in rural Eastern North Carolina. Such programs would reduce the percentage of target area residents who are renting substandard housing. Innovative lending programs for home mortgage lending and real estate acquisition which provide flexible guidelines and low interest rates are needed. The remainder of my testimony will address provisions in the legislation which you are considering, which I believe will go a long way toward addressing the deplorable housing conditions which I have just described.

Section 502 deferred mortgage program: WCIA strongly endorses the adoption of a deferred mortgage program. As I understand the loan deferral provisions of the National Affordable Housing Act, FmHA would be authorized to defer the repayment of up to 20 percent of the principal on section 502 loans to very low-income families in certain States. Because of the conditions which I have just described which exist in North Carolina in the coastal plain region, I believe there is a need to expand the deferred mortgage program. I am also concerned that this program targets low and very low-income persons as its recipients. To target the section 502 loan program to the type of very low-income potential homeowners who live in Wilson county and in surrounding coastal plain counties, FmHA should be authorized to defer up to 50 percent of the loans as opposed to the 20 percent now under consideration in pending legislation. Mr. Chairman, I believe that very low-income rural residents should have an opportunity to experience the American dream of homeownership. The increase in the local tax base, family stability, and responsibility that often accompanies homeownership will contribute to improving the quality of life in Wilson county in years to come. Without such provisions in the Federal legislation, homeownership for many of the persons that I work with in Wilson county will never become a reality. As our Nation moves toward these objectives, there is still a vast need for rental property.

Underserved areas: WCIA also supports provisions in the Federal legislation to set-aside FmHA loans for use in communities with high concentrations of poverty and substandard housing that have been underserved by the agency. I understand the legislation that Senator Sanford plans to introduce will expand the set-aside provisions now included in the National Affordable Housing Act. The Sanford bill will double the number of counties eligible to be targeted as underserved areas, and the bill would also double the set aside of funds from FmHA programs for these areas. In 1983, it was estimated that 20.6 percent of North Carolina's nonmetropolitan residents lived in poverty. The highest rates of poverty are found in the coastal plain region where, in 1983, one out of every four people lived below the poverty level. In view of these pervasive poverty conditions in our State and the substandard housing conditions which I described above, I certainly believe there is a need to increase the coverage of counties which would be eligible as underserved areas. I was also pleased to learn that Senator Sanford's bill will require FmHA to conduct an outreach program to these underserved areas. The purpose of including these types of provisions in the Federal legislation will be defeated unless interested parties at the local level are aware of these opportunities.

Capacity building: WCIA's track record is living proof that low-income, rural people, given the proper technical assistance and support, have the ability to acquire the skills necessary to become housing developers and rehabilitation specialists. For too many years, I have witnessed the introduction of technical assistance into our community only to see it withdrawn as federal funds or foundation initiatives are shifted. We need to build institutions in these rural communities which are permanent and long-lasting. Community-based organizations understand the communities they serve and have developed linkages with all levels of government and neighbors to accomplish objectives such as housing development. Until recently, few efforts were devoted to building the capacity of rural residents themselves. I am pleased to report to you that the North Carolina Rural Development Center, the North Carolina General Assembly, and the Z. Smith Reynolds Foundation have each made concerted efforts in our State to begin to develop training programs, grant programs, and resource persons to provide the necessary components to build the capacity for leadership among local residents. But these programs do not go far enough. For this reason, I strongly support the provisions in the Sanford bill which would authorize a program within FmHA to provide grants to designated underserved counties and communities for the development of housing assistance capacity. I understand the Sanford bill will appropriately target technical assistance and training in housing development, preparation of applications for housing assistance, planning and site preparation, recruitment and counseling of eligible households, administrative costs and other necessary activities as determined by the Secretary. Community organizations, nonprofit organizations and State and local governments will be eligible for the grant. I do have a concern about the ability of community-based organizations to compete on an equal footing for these capacity building grants with local governments. Perhaps some consideration could be given to adding provisions which create a set-aside for community-based organizations in order to receive a fair share of these capacity building funds. WCIA has a clear preference for this capacity building grant approach as opposed to the project preparation advance provisions included in the National Affordable Housing Act.

Public/private partnership and guaranteed loans for housing acquisition and rehabilitation: I have mentioned the need for innovative lending programs for home mortgages, real estate acquisition and rehabilitation which provide flexible guidelines and low-interest rates. To my knowledge, the National Affordable Housing Act includes neither a guaranteed loan program for housing acquisition and rehabilitation nor a public/private partnership component. By contrast, the Sanford bill will include both of these much needed provisions. The State of North Carolina has created the North Carolina Housing Finance Agency which provides mortgages at below-market rates to developers and consumers. Although the agency was created to benefit low and moderate income people, a recent report issued by North Carolina Poverty Project indicates that the average income of loan recipients for a single-family home is $23,075. A report issued in November 1988 by the North Carolina Rural Economic Development Center found that the per capita income of nonmetropolitan residents in the coastal plain region was $9,008. Clearly the North Carolina Housing Finance Agency has had little effect on people with incomes of less than $10,000. I have also recently had an opportunity to exchange views with bankers about lending practices within low-income areas. Undoubtedly there is a need to minimize the perception of risks these traditional lenders perceive as they strive to meet their obligations under the Community Reinvestment Act to provide access to credit in low-income neighborhoods. The loan guarantee provisions in Senator Sanford's bill will go a long way toward achieving this result. The act will authorize FmHA to provide loan guarantees for low and moderate income borrowers for the purpose of acquiring or constructing a single-family residence. Loan guarantees will also be provided for housing repair and rehabilitation of substandard housing for occupancy by low and moderate income households. The loan guarantee will be limited to an amount equal to 90 percent of the loan. Eligible borrowers must have incomes that do not exceed 100 percent of the area median. In Wilson county in 1987, the median household income was $19,445. I understand down payment provisions will be limited to 3 percent for the first $25,000, or $750, and 5 percent for the remainder. The barrier that down payments represent for low to moderate income persons who use substantially all of their income for the basic necessities of life will be reduced through this innovative program. I was also quite pleased to learn that a priority for guaranteed loan programs will be established for the first time home buyers. Again, the Sanford bill will include the necessary outreach program to ensure that information is disseminated to appropriate parties about this new provision.

WCIA strongly supports a demonstrating program within FmHA to provide grants to nonprofit organizations to encourage public/private partnerships for the development of low-income rental housing. The commitment of up to 60 percent of the development costs of rental housing by FmHA to a project will be used as leverage to attract the participation of private investors in conjunction with tax credit financing, loans, or other assistance from state housing finance agencies or local financial institutions.

Mr. Chairman, WCIA appreciates the opportunity to present this statement. I am now available to answer any questions that you, other members or the staff of the committee may have.

I do have a statement to make. I would just like to say that I think the 515 program, as I understand it, makes no provisions for elderly people that are not able to work or are retired. My understanding is that you must be able to work to live in one of the units. If this is so, I wish this could be added to your bill.

Senator SANFORD. That's a good point that we will certainly look at. I am not exactly sure of that requirement but we will check that out.

Ms. CORBETT. That was one of the concerns of the people on the bill that I am working on.

Senator SANFORD. I think that it would be a great thing if every county were as fortunate as Wilson is to have the leadership from you and the other people that have worked with you. I am certainly grateful to you.

This testimony will be available to the offices of the other Senators on the Banking/Housing Committee. I am going to keep the record open to receive additional written testimony. There are some questions that I would like to present to you for you to give us your thoughts as we sort this out. I hope that by August 1st we can begin the committee hearings so that we can begin to get this bill ready before September. The Senate will be out for 3 weeks in August. I would like to have this entire bill, the general housing bill, as well as this one, ready for consideration by the full Senate by September. It's difficult to get legislation through. Maybe that is the way it ought to be. It certainly requires deliberation and requires making a good case and what we are trying to do is to make a good case. Six, 8 months ago it appeared that the rural aspects of housing would be pretty much set aside. Nobody was paying much attention to them. We had expected the subcommittee to pay more attention, and since they didn't, we took it on as an opportunity for our office to do more. Since that time, the majority leader, Mr. Mitchell, has indicated strong support for our rural housing legislation and that is a very good sign. I am also glad that Mr. Cranston, who is the chairman of the subcommittee and who is co-author of the Cranston/D'Amato bill will probably sign on my bill, too. So we are beginning to get the kind of support we need and your presence here today adds to the kind of public interest that we need in order to get attention on the rural housing problems across the country. Your testimony has been extremely helpful.

I would like to acknowledge Mr. Matt Churchill, who has been working on this diligently in getting all of the facts together and the legal statutory terminology we need. Also we have Jennifer Hillman, who as legislative director, has, I think more than anybody else, sparked our attention to rural housing. And then Kevin Monroe is on my staff. He had the disadvantage of having been a graduate of the University of North Carolina where he was president of the student body. I am glad to have him down here. These other two staff people went to Duke.

In any event, we are all working on this. We are all concerned with it. It falls to our office to take the leadership in the congress and we are delighted to do that. I want to thank all of you for being here and share with you how much we value your time and efforts and we will be back with you to fill in some additional points that we will need as we go into committee work. I don't have a gavel, but if I did, I would say we stand adjourned. Thank you very much.

[Thereupon, the hearing was concluded at 11:30 a.m.]

[Complete prepared statements of witnesses follow:]

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EDWARD G. "NED" FOWLER, JR.
Secretary/Executive
Director

LINDA H. McGEE
Attorney

July 12, 1989

The Honorable Terry Sanford
United States Senator
716 Hart Senate Building
Washington, DC 20510

Attention of Mr. Matthew Churchill, Legislative Assistance

Re: Rural Housing Revitalization Act
Senate Committee on Banking, Housing and Urban Affairs

Dear Senator Sanford:

I appreciate the opportunity of presenting the attached testimony to the Committee's field hearing in Elizabeth City, North Carolina. I hope that these remarks will help to further your dedicated efforts in rural housing.

Sincerely,

E G Fowler

E. G. "Ned" Fowler
Executive Director

Attachment

EGF/al

Senate Committee on Banking, Housing and Urban Affairs
Field Hearing - July 15, 1989
Kermit E. White Graduate and Continuing Education Center
Elizabeth City State University
Elizabeth City, North Carolina

Testimony of Mr. E. G. "Ned" Fowler
Member-National Rural Housing Coalition
Executive Director-Northwestern Regional Housing Authority
Boone, North Carolina

TO THE HONORABLE MEMBERS OF THE SENATE COMMITTEE:

Greetings and salutations from the National Rural Housing Coalition Board of Directors and the Northwestern (NC) Regional Housing Authority Board of Commissioners. I have been fortunate to serve with both these groups for several years in attempts to improve housing opportunities for those less fortunate in rural areas. It pleases me to have the opportunity to share with the Committee some of our experience and concerns.

I am encouraged to see the consideration and regard for rural housing needs evidenced in the United States Senate by the National Affordable Housing Act. The special focus on measures to address these needs provided in the draft Rural Housing Revitalization Act (Senator Sanford D-NC) is, I believe, an additional step in the right direction. The Sanford bill recognizes the demonstrated need for the additional funding for FmHA rural housing programs and directs these resources to those most in need. By expanding the number of counties eligible to be targeted as underserved, Senator Sanford's initiative will allow local efforts to be distributed in a more effective and equitable manner. Essential to the success of this targeting approach is the Sanford bill's "Capacity Building Grant Program".

State and local governments rely heavily on public and private non-profits for provision of housing administrative and development services. This is particularly true in rural areas which are most often at a marked disadvantage to fund the cost of non-profit housing delivery. Federal dollars for these purposes are likely to have significant impact on local needs due to the mission orientation and grass roots leadership of community based organizations and non-profit agencies. I would like to see more emphasis placed in support of local capacity building, even beyond the ten million dollars annually proposed in Senator Sanford's legislation, because I believe these are monies well spent.

A similar enthusiastic support should be voiced here for the Senator's Public-Private Partnership demonstration program within FmHA. Again, the local non-profit will be funded to encourage private sector involvement in needed development of low-income housing. As you know, recent tax legislation has significantly reduced private sector investment in assisted housing resulting in production falling off dramatically. Left unchecked at current levels of federal spending, the trends of declining production, loss of subsidized dwelling units and steadily increasing demand will result in a staggering shortfall of affordable housing in the not too distant future. These national issues become of even greater concern when examined specifically in rural areas, many of which even now have a disparagingly short supply of decent affordable housing stock. Coupling limited public resources with entrepreneurial private initiative both stretches the federal dollar and ensures the effective and efficient development demanded by profit motivation.

A word here about the FmHA Self Help Housing Program, one in which eligible owner/builder families provide shared labor in exchange for equity and an interest credit assisted mortgage. We believe this approach to the provision of largely first time homeownership opportunity for rural families is important and we encourage legislative support for increased funding of both the Section 523 Technical Assistance and the Section 502 Mortgage Loan programs. Our experience confirms that homeownership is a more positive and permanent housing solution for these who qualify and are willing to make the required effort than the more widely available government assisted rental assistance. Homeownership not only improves living conditions but most often improves people, providing a basis for economic upward mobility and for increased personal pride and responsibility.

It is unfortunate that I have to report here that FmHA administration of Self Help Housing resources is often far less than enthusiastic. Fewer and fewer non-profit technical assistance contractors are able to overcome the impediments of inadequate provisions for staffing, unbearably slow federal processing, gapped funding and heavy workloads on FmHA field staff which are regularly encountered with this program. The result of these problems significantly limits areas in which Self Help Housing opportunities are available. Notwithstanding a positive past record of Self Help Housing development, along with dedicated recent efforts and investment, our local public non-profit in northwestern North Carolina is currently losing the battle to maintain this important homeownership resource. We are not alone in this. Similar difficulties with FmHA Self Help Housing administration across the country have been thoroughly documented in recent months by the Housing Assistance Council (HAC) of Washington, DC. The problems of those attempting local Self Help Housing efforts can, I believe, be summarized in our mutual need to receive responsibility and cooperation from a bureaucracy which has been exhibiting little consideration and an apparent lack of regard for the program as a component of its legislative charge. How do we elevate the importance of this resource within FmHA to effect greater availability and impact on local need? Perhaps some capacity building within the federal agency and with its constituents is needed. We would welcome the opportunity of further defining the issues and working with the Committee in the development of appropriate solutions at your invitation and convenience.

Housing is an expensive commodity for all socio-economic groups. The affordability gap in rural housing can and will be narrowed for families with limited resources when we develop the most effective and efficient cooperative efforts of both the public and private sector. I applaud the attention and efforts of the Committee in this regard. Many thanks to Senator Sanford for the invitation to address these comments and to all of you for your continuing dedication in the United States Senate.

Respectfully submitted,

E G Fowler

E. G. "Ned" Fowler

NORTH CAROLINA COUNCIL FOR RURAL RENTAL HOUSING

P. O. BOX 3054, 324 WEST WENDOVER AVENUE, GREENSBORO, NC 27402

STATEMENT OF THOMAS W. HONEYCUTT
PRESIDENT, NORTH CAROLINA COUNCIL FOR RURAL RENTAL HOUSING

BEFORE THE FIELD HEARING OF THE SENATE COMMITTEE
ON BANKING, HOUSING AND URBAN AFFAIRS

July 15, 1989

My name is Thomas W. Honeycutt. I am with The Weaver Companies, based in Greensboro, North Carolina, a member of the Board of Directors of the Council for Rural Housing & Development, and President of the North Carolina Council for Rural Rental Housing.

As a matter of background, Weaver Companies is a developer, builder, owner and managing agent of Farmers Home properties doing business in North Carolina, Virginia, Tennessee, West Virginia and South Carolina. CRHD is a national association which represents the interests of developers, managers, and others involved in the Section 515 Rural Rental Housing Program through FmHA. NCCRRH is a state-wide association whose primary focus is the enhancement of the development and management of multi-family housing in rural North Carolina, with membership consisting of individuals and firms involved in the development, ownership, and management of rural multi-family projects in our state.

I commend you, Senator, and your staff, for the leadership you have taken in support of housing in general, and rural housing in particular. I appreciate the opportunity to take part in this hearing and to comment on your proposed Rural Housing Revitalization Act.

It is pleasing to see the interest in re-authorization of existing Farmers Home programs and the additional funding levels provided in the National Affordable Housing Act, and the Rural Housing Revitalization Act. As of two days ago, the Farmers Home Administration in North Carolina had loan applications which are ready to obligate, representing $11,662,440. This is over and above the approximately $23,000,000 that our state was allocated for the current year, which is already obligated. If built, these loans would translate into 265 rural rental units for our state. Hopefully, the cutbacks FmHA has experienced in recent years are beginning to reverse with the recognition that FmHA housing programs are among the most successful in our nation.

I don't know if any counties in our state would qualify or could be targeted as an underserved area, but current FmHA procedures do give priority to such areas. The lack of housing development in areas such as these may be attributed to several factors, the most fundamental of these being that it simply may not be a good business decision to build in these areas.

Project preparation advances as a part of targeting underserved areas disregards the lack of infrastructure to support the community organizations, nonprofit organizations, state and local entities who would be eligible for these advances. Private/public partnerships as described in the Act is an interesting concept, and assumes a commitment by Farmers Home to a project, along with tax credit financing or loans or other assistance, will attract private investors. But please remember, Senator, a Farmers Home commitment alone, which to an investor represents a possible 8% return of equity, will not attract investors.

I understand the Congressional concerns that underlie consideration of permanent affordability and prepayment of FmHA rental housing projects. Certainly along with the provision of additional affordable rural housing, one of the most vital issues is the preservation of our low income rural stock. However, for there to be preservation, there must be such low income housing in the first place. In that regard, let me mention several very important facts. First, as of September 30, 1988, profit-motivated developers have produced 77% of the 14,678 Section 515 projects under management. I do not mean to denigrate the nonprofit developer, but the fact remains that without private sector participation, only a fraction of rural Americans now served by the Section 515 program would be living in decent housing.

Second, for there to be profit-motivated developers there must be an opportunity for a realistic market-driven profit if the developer is to participate in the program. This motivation does not come from cash flow on the project, which is limited to 8% of the 3% stated equity--a base which never inflates over time. The low income housing tax credit program, although a central incentive for a project to be built, is not a sufficient incentive to achieve the desired result.

Indeed, those in Congress looking at this issue have reached the same conclusion. In the legislation to extend the low income housing tax credit, the sponsors realized that there had to be the incentive of appreciation to entice the necessary private investment. Accordingly, under the now proposed legislation, after a 15-year compliance period, the owner can sell at a price that takes into account the CPI increase applied against the value of the building, with the CPI being capped at 5% annually.

Third, the profit motivation is essential, not only to getting the project built, but to assure its proper maintenance and management over time. Loss of economics and common sense dictate that an owner having an incentive for a profit on resale will take better care of a building than an owner who knows that no matter how good a job he or she does, there will be no possibility of profit at the end.

How then do we reconcile the desire to continue occupancy by Section 515-eligible tenants for the life of the mortgage, and to permit an owner to look to a reasonable profit on sale or refinancing of the project after a reasonable period? This goal can be accomplished at virtually no expense to the federal government. first of all by requiring the owner to maintain Section 515-eligible occupancy for the 50-year period. This can be accomplished by a simple change to Section 502 (c)(1)(B). Thus, an absolute prohibition on prepayment is not needed.

Second, the establishment of a guaranteed loan program for the amount of the developer's equity in the project. Accordingly, after a specified period, such as 15 years, the developer could obtain an FmHA guaranteed second mortgage for 90% of the then-equity in the project. This would permit the developer to borrow the cash needed for necessary repairs or to provide a return on capital ~~at that time~~. Because the loan would be guaranteed and not a direct loan, it would not be a debit against the ability of Farmers Home to utilize its currently obligated funds to make loans for new projects. After an owner has obtained such a loan, he or she would not be able to obtain another such loan on the project for another 15-year period.

I believe that these are constructive suggestions to accommodate both the twin aims of preserving the low income property while offering the economic incentives for such property to be built in the first place.

Before closing, I would like for you to consider lending support to a proposal to give automatic Low Income Housing Tax Credit allocation to sites which have been awarded FmHA 515 funding.

Again, let me say that I consider the 515 program in North Carolina to be the most successful rural housing program in the nation, and I attribute this success in large part to the FmHA staff here in North Carolina.

Thank you.

ATTACHMENT 1

AUTOMATIC CREDIT ALLOCATION TO SECTION 515 UNITS

Section 42 of the 1986 Internal Revenue Code authorizes the governor or legislature of each state to administer and allocate low income housing credits.

It is absolutely essential that Section 515 units receive the low income housing tax credit if they are to be built at all; otherwise, the return to the developer is less than he or she can receive by buying a certificate of deposit. The North Carolina Council for Rural Rental Housing would recommend that Section 42 be amended to accommodate the needs of low income housing projects being funded with a direct loan through the Farmers Home Administration Section 515 rural rental housing program. Failure to enact such a provision could constitute the thwarting of federal intent for this program to be implemented, since no one would develop Section 515 housing without the tax credit.

In the case of Section 515 projects, we believe that a state agency review is redundant and unnecessary since the Farmers Home Administration does a complete underwriting of the project, and has made the determination that such a project is necessary to meet the low income housing needs of the area. Accordingly, we strongly urge that once the Farmers Home Administration has awarded Section 515 funding to a project, that it automatically carry with it an award of the requisite amount of the state's low income housing tax credit allocation. If such a provision were enacted, the state agency awarding the credit would not have to waste its time re-reviewing a project that was thoroughly processed by the Farmers Home Administration.

Matching the low income housing tax credit with the Section 515 program constitutes economical and efficient use of the tax credit since the program provides low income housing units using only a 4% credit. Reservations of low income housing tax credits for Section 515 projects when made at the time an AD-622 is issued (notice from FmHA to proceed with a full loan application) are almost always guaranteed to be used since AD-622s are issued only when there is every likelihood that the project is viable. This means tax credits are not simply tied up for projects which may never be completed. Finally, it is important that projects automatically receive the credit because sometimes, due to the late processing of loans, there may be no tax credits left by the time a 515 developer has a loan approved and is ready to acquire the tax credit.

Assuming all Section 515 projects received credit at 30% of qualified basis (the 4% credit), about $28 million of credit authority would be utilized annually, which is less than 10% of the $300+ million national credit authority. This amount allocated to Farmers Home is certainly no greater and probably smaller than the amount of credit that would be allocated to rural areas in total so that this automatic set-aside would not be detrimental to worthy projects in other areas of the state. Further, in all but a few circumstances, these Section 515 projects would be awarded credit in normal course, so the automatic procedure serves to save time and effort for all involved.

We urge the adoption of this Section 515 set-aside. All of IRS Section 42 Low-Income Housing Credit codes will still be in force.

Prepared Statement of Linda Shaw
Executive Director, NC Low Income Housing Coalition
Before the Field Hearing of the
U.S. Senate Committee on Banking, Housing, and Urban Affairs
Elizabeth City, NC
July 15, 1989

Senator Sanford, distinguished members of the Committee, my name is Linda Shaw. I am the Executive Director of the North Carolina Low Income Housing Coalition, a statewide nonprofit education and advocacy organization whose members include nonprofit groups, government agencies, low income citizens, and other individuals and organizations dedicated to the provision of decent housing for low income people. Thank you for the opportunity to testify at this hearing.

The Coalition appreciates your concern about the housing needs of low income North Carolinians, and we applaud your initiative in addressing the special concerns of rural NC.

Decent, affordable housing for low income households is a problem throughout the state, but the situation is particularly critical in rural areas. In North Carolina, rural housing is more likely to be overcrowded and is over three times more likely to lack complete plumbing facilities than its urban counterparts. Over 100,000 Tar Heels still rely on outhouses - more than any other state in the union. The poverty rate is approximately 60% higher in rural areas (20.6% v. 12.9%), and indications are that the income and poverty gap between urban and rural is widening.

Most of these statistics are from the 1980 Census. Housing needs were immense then. During this decade, federal funding for low income housing has dropped over 82%, so the problems have only worsened. If any improvement is to be made, indeed if we can even arrest the deterioration, more federal assistance is absolutely critical.

We are pleased that this bill calls for increased funding for FmHA rural housing programs. I think all of us here realize that much more money is needed, given the magnitude of the problem. However, this bill, in conjunction with other major housing legislation such as the National Affordable Housing Act, is certainly a step in the right direction. We hope this will be the beginning of a movement to raise low income housing needs, and especially those of underserved rural areas, in our national priorities.

Currently, NC is utilizing most of its FmHA housing money. As of May 31, virtually all of the 515 rental housing and rental assistance funds have been allocated, 92.4% of 504 grants and 60.6% of 504 loans were obligated, and 85.9% of 502 homeownership loans were obligated. Only 35.5% of 502 very-low-income monies have been utilized however. This is a source of concern.

For that reason, we are intrigued by the bill's innovative deferred loan program, which is intended to increase the number of very low income households who can buy their own homes. We suggest caution in its design, however, to assure that it does indeed benefit these households. Furthermore, we encourage tighter targeting of the guaranteed loan program to assure that it reaches the very low income. Without stricter targeting, only the households in the upper end of the income bracket will benefit from the program.

Although statewide utilization of FmHA funds is high, it has not been uniform across the state. Some counties use more than their initial allocation, while others use little if any. Thus, the Coalition is especially pleased by the targeted assistance to underserved areas. The designation of 60 communities in FY 90 and 100 in FY 91 double those proposed in the National Affordable Housing Act, clearly a significant improvement. It does not go far enough, however. We could identify 12 - 15 such underserved areas in North Carolina alone.

Careful consideration should be given to the administration of this program. Why has the available FmHA money been underutilized by these counties in the past? Clearly, it is not from lack of need. There may be contributing factors, but primary responsibility for underutilization must lie with the local FmHA office. If they have not aggressively pursued housing loans in the past, there is little reason to believe a special designation will change things. There must be teeth in the legislation to assure that funds are utilized. A couple of options to consider:

> First, community-based organizations, nonprofits and service agencies with a low income clientele such as Legal Services do a much better job of outreach to the low income community than do the FmHA offices. Specify that FmHA could fulfill outreach requirements by contracting with such organizations. This could be carried a step further. These programs could also do initial qualifying screening of applicants, thereby cutting down on paperwork for the agency and assuring that people are not being arbitrarily denied assistance.
>
> Another alternative is to establish a quota for the use of housing funds. If this quota is not met, allocations for nonhousing FmHA programs could be cut. That'll wake up a few local offices.

The question as to why funding is not utilized extends beyond those communities that are designated as underserved. In some counties, very sympathetic county supervisors will do everything they can to get housing money, while others won't even look at a housing loan application. Some feel their time is better spent on large agricultural or industrial loans which result in more money for the same amount of paperwork. Plus, most FmHA local employees do not come from a housing background. They do what they know best.

They may also feel pressure to protect their loan portfolio, since this is one criteria by which job performance is measured. Subsequently, FmHA is a very conservative lender with a very low default rate. But is this a good measure of an agency established to meet the needs of rural people? Perhaps they would fulfill their mission much better if they took more risks, exhibited more innovation and creativity, and accepted a higher default rate.

The message must come from the top that housing is a priority, and that the level of comfort on risk taking has been raised if unmet rural housing needs, especially those of very low income residents, are to be met.

One of the most exciting components of the legislation is the grant program for capacity building. In most rural areas, the lack of expertise in housing development is nearly as critical as the lack of money. Even in urban areas with many more resources available to them, many well-intentioned nonprofit groups have developed housing by the "trial and error" method. With more training and technical assistance, much of this could be avoided, thereby speeding up the process and holding down the costs of housing development.

The capacity building grants will help promote the development of such expertise and provide a lasting base for continuing housing development activities. Because these grants develop local capacity that endures beyond a specific project, the grants are preferable to the project preparation advances included in the National Affordable Housing Act. Extending eligibility for the grants to a variety of entities – community organizations, nonprofits, and state and local governments – should provide sufficient options for someone in the community to pick up the ball. This flexibility is a good feature. It is unclear, however, how the funds will be distributed and who will receive funding if there are competing groups within a county.

Our major overall concern about the bill as a whole is that its impact depends heavily on the design (and administration) of the proposed new programs, which apparently will be determined by administrative regulation. It is critical that people with experience in providing low income rural housing be involved in the writing of the regulations just as we have been consulted about the bill.

In conclusion, certain aspects of the bill need fine tuning, and obviously more funding is needed overall, but the Coalition strongly supports the major thrust of this legislation. Rural housing problems are among the most pressing and the most difficult to solve. Components of this bill, particularly its attention to underserved areas and the capacity building grants, are postive steps toward meeting these needs.

Again, thank you for the opportunity to present our concerns to you today.

Rural.Housing Revitalization Act

July 15, 1989

Elizabeth City, North Carolina

My name is ~~[illegible]~~ Lee Forbes and I am a homebuilder from Elizabeth City NC.

It is a pleasure to be here today to comment on Senator Sanford's (D-NC) legislation, The Rural Housing Revitalization Act. This legislation is to expand the rural component of the National Affordable Housing Act (S. 566), which was introduced in March by Senator Cranston (D-CA), Chairman of the Housing Subcommittee of the Senate Banking Committee.

We are supportive of Senator Sanford's reaffirmation of support for rural housing programs as administered by the Farmers Home Administration (FmHA) at the Department of Agriculture. These programs have provided low-income families and the elderly with affordable housing since the passage of the 1949 Housing Act.

We urge that the rural programs not only be extended for two years as authorized in Senator Sanford's legislation, but that rural authorizations be made permanent. This was done for FHA in the 1987 Housing Act. The Section 515 multifamily program, like FHA, was stopped several times in 1986-87 because Congress did not pass reauthorizing legislation on a timely basis.

We are pleased that the additional $100 million provided for rural housing programs in the FY '90 Budget Resolution is included in this bill. Senator Sanford's leadership in instigating the increased funding which was included in the Budget Resolution is exemplary. Senator Sanford has recognized the great demand for rural programs, where 55 percent of the households make less than 50 percent of area median income.

We are also pleased that a provision to allow developers to convert Section 502 single-family housing inventory properties to the Section 515 multifamily housing program is included in this legislation. Currently, the Housing Act restricts conversions to non-profit organizations and public bodies. Inclusion of this provision could save FmHA millions of dollars each year by making Section 502 homes in inventory available as rental housing.

Additionally, we are pleased that you have included a Section 502 loan demonstration program. The provisions of The Rural Housing Revitalization Act state that income cannot exceed 100 percent of median and the mortgage amount cannot exceed the FHA limits of $67,500 - $101,250. The loan guaranty is limited to 90% of the loan and the interest rate is based on the Veterans Department loan guaranty rate or comparable rate for the area. Loans under this program would be guaranteed by Farmers Home in areas not adequately served by other mortgage lending institutions.

We urge that the interest rate under the new Section 502 loan demonstration be negotiated between the buyer and the lender and that a 100% guarantee be provided. Both of these changes will hopefully increase lender participation in the program. Lenders are hesitant to participate in housing programs in rural areas due to the priority given to farm loans and the less stable economic environment which generally exists in rural areas.

We are concerned, however, with the section creating a deferred loan program under the Section 502 single-family program. A deferred loan program, which allows a buyer to defer principal, as well as interest, on the loan could add greatly to the cost of the program at a time of tight budget priorities. Higher subsidy costs and negative amortization would likely occur under this program. Even though the deferment is limited to 20 percent of the loan principal, negative amortization would still occur. Additionally, future problems may arise due to increased loan delinquencies and foreclosures.

While we appreciate the commitment to underserved areas, we question the increases in the amounts set aside for the program. The Rural Housing Revitalization Act doubles the number of counties and the funding set asides provided in S. 566. It is important to see if the program works before increasing its universe. Additionally, any unused funds should be released to the general fund if they are not used within nine months.

We are also concerned with capacity building grants which only provide technical expertise without providing any additional units of housing. These grants are limited to non-profit organizations, community organizations and state and local governments. The private-public partnership demonstration program which provides grants for the development of low-income rental housing is also limited to nonprofit organizations.

We urge you to make private sector builders and developers eligible for these programs. By including the private sector in these programs and others currently limited to nonprofits, housing will be built in a more efficient manner for less cost.

In conclusion, it is important to emphasize that current Farmers Home programs are working well. The Farmers Home Administration is spending all the funds appropriated by Congress. Defaults under Section 515 are less than 1 percent and Section 502 inventory has been substantially reduced. The Farmers Home Administration provides the best delivery system to serve low-income families and the elderly in rural areas. Changes in these programs should be carefully analyzed.

Hopefully our comments will assist you in making the most efficient use of the program at the least possible cost.

CADA

CHOANOKE AREA DEVELOPMENT ASSOCIATION, INC.
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TO: THE HONORABLE SENATOR TERRY SANFORD
UNITED STATES SENATOR

FROM: J. WINSTON SESSOMS, EXECUTIVE DIRECTOR
CHOANOKE AREA DEVELOPMENT ASSOCIATION

DATE: JULY 13, 1989

RE: PROPOSED LEGISLATION:
TITLE VII OF THE NATIONAL AFFORDABLE HOUSING ACT AND,
RURAL HOUSING REVITILIZATION ACT (THE SANFORD BILL)

TO THE HONORABLE TERRY SANFORD:

IT IS WITH GREAT APPRECIATION TO BE ASKED TO SERVE AS A WITNESS RELATIVE TO THE RURAL HOUSING REVITALIZATION ACT AND TO HAVE SOME INPUT IN THE FORMATION OF THE BILL. AS AN ADVOCATE OF LOW-INCOME CITIZENS I ACCEPT THE CHALLENGE TO SERVE IN THIS CAPACITY. IT IS MY BELIEF THAT BOTH BILLS WILL BE ABLE TO REACH AND SERVE ADDITIONAL CITIZENS THROUGHOUT AMERICA. IN COMPARING THE NATIONAL AFFORDABLE HOUSING ACT WHICH ADDRESSES THE AUTHORIZATION OF A NEW CORPORATION TO ADMINISTER THE PROGRAM AND THE RURAL HOUSING REVITILIZATION ACT REFERRED TO AS THE SANFORD BILL I MAKE THE FOLLOWING OBSERVATION.

THE NATIONAL AFFORDABLE HOUSING ACT WILL ADD ANOTHER LEVEL OF GOVERNMENT WHICH WILL INCREASE THE BUREAUCRACY AND STYMIE THE IMPLEMENTATION OF THE PROGRAM. THE SANFORD BILL ATTEMPTS TO DEAL WITH RURAL HOUSING IN COOPERATION WITH EXISTING AGENCIES AND THE FARMERS HOME ADMINISTRATION. WE SUPPORT SENATOR SANFORD'S BILL INASMUCH AS IT SPEAKS TO THE HOUSING NEEDS IN RURAL AMERICA WHICH IS DESPERATELY NEEDED. THE BILL ATTEMPTS TO OPERATE WITHIN AND COOPERATE WITH EXISTING FMHA DEPARTMENTS OR AGENCIES. IT ALSO RECOMMENDS ADDITIONAL FUNDS IN ORDER TO BETTER SERVE LOW-INCOME CITIZENS.

DEFERRED LOANS: IT IS BELIEVED THAT THE DEFERRED MORTGAGE PROGRAM WILL BE ESSENTIAL IN ASSISTING RURAL LOW-INCOME CITIZENS IN OBTAINING ADEQUATE HOUSING AND SUPPORT THE CRITERIA RELATIVE TO DEFERRED MORTGAGE PAYMENTS. BUT THE LANGUAGE SHOULD BE VERY CLEAR AND ABSOLUTE IN DETERMING THE LENGTH OF TIME THE PAYMENT MAY BE DEFERRED AND THE INTEREST RATE OF THE DEFERRED PAYMENT (20 PERCENT) WHEN THE BORROWER IS NO LONGER ELIGIBLE FOR A DEFERRED LOAN. THE RATIONALE BEING THAT FMHA SUPERVISORS HAVE DIFFERENT OPINIONS IN INTERPRETING THE REGULATIONS.

FOR EXAMPLE: SOME SUPERVISORS ARE CONSERVATIVE, MODERATE, AND LIBERAL. ACCORDING TO WEBSTER A CONSERVATIVE IS ONE THAT WOULD LIKE FOR THINGS TO STAY AS THEY ARE AND A MODERATE IS ONE THAT BELIEVES IN CHANGE WITHIN REASONABLE LIMITS. I SUPPORT THE MODERATE APPROACH. THIS IS THE REASON WHY THE LANGUAGE MUST BE CLEAR BECAUSE PROGRESS IS THE MAJOR INGREDIENT OF THE DEFERRED PLAN. WE SUPPORT THE IDEA THAT CITIZENS SHOULD PAY WHEN THEY BECOME ABLE TO DO SO BUT WHEN CITIZENS ARE DECLARED NOT ELIGIBLE FOR A DEFERRED LOAN THE INTEREST SHOULD NOT BE INCREASED AND THE ONE (1) PERCENT WOULD CONTINUE UNTIL THEY ARE FINANCIALLY ABLE TO PAY THE MORTGAGE AND ADDITIONAL INTEREST AS STATED IN SECTION 3 OF THE DEFERRED SECTION. IT IS ALSO IMPORTANT THAT ADDITIONAL COUNTIES BE SERVED.

CAPACITY BUILDING GRANT PROGRAM: THIS AGENCY (CADA) SUPPORTS THE GRANT PROGRAM AS RECOMENDED IN THE DRAFT SUMMARY IN THE SANFORD BILL WITH THE RECOMMENDED ADDITION. IT IS RECOMMENDED THAT THE GRANT SHOULD INCLUDE FUNDS FOR EDUCATION AND TRAINING FOR PARTICIPANTS OF THE LOW-INCOME COMMUNITY RELATIVE TO THE BUILDING OF A HOME IN COMPARISON TO PURCHASING A MOBILE HOME, MAINTENANCE, PLANNING AND BUDGETING. THIS WILL ENABLE THEM TO UNDERSTAND THEIR RESPONSIBILITY IN PURCHASING A HOME AND MAKING THEIR MORTGAGE PAYMENTS.

GUARANTEED LAONS FOR HOUSING ACQUISITION AND REHABILITATION:

WE SUPPORT THE BILL AS STATED INASMUCH AS IT IS THE INTENT THAT LOCAL, STATE, THE PRIVATE SECTOR, AND EXISTING LENDING INSTITUTIONS BECOME INVOLVED. THE GUARANTEDD LOAN IS ONE WAY OF MAKING THIS A REALITY AND THE GOVERNMENT WILL NOT BE IN COMPETITION WITH THE PRIVATE SECTOR. IT IS NOT REALISTIC THAT ALL CITIZENS WILL BECOME HOME OWNERS, THEREFORE, IT IS SUGGESTED THAT FARMERS HOME ADMINISTRATION (FMHA) INVEST IN PUBLIC AND PRIVATE PARTNERSHIP FOR LOW-INCOME RENTAL HOUSING. IN RURAL AMERICA SOME OF THESE RENTAL UNITS SHOULD BE SINGLE FAMILY UNITS.

FAMILIES THAT HAVE INCREASE THEIR INCOME SHOULD HAVE THE OPTION TO PURCHASE. IN ADMINISTERING THESE PROGRAMS THE LANGUAGE SHOULD BE VERY CLEAR AND PRECISE IN ORDER THAT THESE SERVICES MAY BE RECEIVED BY LOW AND VERY LOW INCOME CITIZENS.

THANKS FOR THIS OPPORTUNITY.

J. WINSTON SESSOMS, EXECUTIVE DIRECTOR
CHOANOKE AREA DEVELOPMENT ASSOCIATION

TESTIMONY

before the

Senate Committee on Banking, Housing, and Urban Affairs

Elizabeth City, North Carolina

July 15, 1989

Presented by:

John R. Keller
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Good morning Senator Sanford and members of the Committee. My name is John Keller, and I am a staff attorney with Eastern Carolina Legal Services (ECLS). I come this morning as a representative of both ECLS and Legal Services of North Carolina. I would like to thank Senator Sanford and the members of his committee for coming to a rural eastern North Carolina community to receive input on rural housing issues. I believe it reflects the sincerity of your commitment to confront the problems the poor face in securing a decent and safe place to live in this part of the state. My testimony this moring will focus upon affordability and capacity building, and I hope to highlight portions of Senator Sanford's legislation that relate to these two concerns.

Legal Services of North Carolina, Inc. (LSNC) is a statewide organization providing free civil legal assistance to indigent persons. I have submitted for your review Equal Justice Under Law - The Unmet Promise, a booklet describing the creation and accomplishments of LSNC. Because of the diverse and numerous problems our clients face, LSNC has designated certain needs to be priorities on a statewide level. Two such priorities are housing and community economic development.

LSNC is a confederation. The statewide organization is divided into 15 service areas. Each service area is served by a program controlled by a local board of directors. The program I work for, ECLS, serves 6 rural counties here in the East. No city in our service area has a population greater than 50,000; only 4 cities have populations greater than 20,000. Approximately 92,000 poor persons in our 6 county area are eligible for legal services representation. As does LSNC, ECLS considers housing and community economic development to be priority issues. Across the state and within our program, housing cases comprise 15% of our caseload.

My typical housing client is a working poor family, either femal-headed or a two-parent household. The family's source of income is unskilled manufacturing work or derived from secondary labor market jobs - tobacco processing or poultry processing plants. Wages range from minimum wage up to $4.50 - $5.00 per hour. All clients are renters. Home ownership is an impossibility. Rents our clients pay vary between $135 to $175 per month. Rental units are frequently substandard. Within the city limits, shotgun houses are still plentiful, as are other old, inadequate dwellings. Out in the county, trailers are widespread. Extant wooden structures probably qualify as shacks, as North Carolina ranks among the top 10 states with homes lacking indoor plumbing. The problems of substandard rental units in the rural counties is made worse in that 98 of North Carolina's 100 counties do not have any type of county housing code. With the prescribed jurisdiction of county health departments, enforcing decent standards of habitability in rural rental housing is near impossible.

I. Affordability

A significant barrier confronting our clients and preventing them from improving their housing situation is affordability. I would like to comment on three components of Senator Sanford's legislation that address affordability.

First, we strongly endorse a deferred loan program. A deferred mortgage program is needed both to expand the scope of the 502 program and to better target low and very low income persons. Absent such a program, the opportunity for home ownership, particularly ownership of newly constructed homes, will not be an option for the rural poor. Home ownership and single-family dwellings have always been more prevalent in rural areas, both for economic and cultural reasons. Home ownership is something we feel should be encouraged.

However, to reach the clients we assist, the very low-income household, I think the deferment should be increased, possibly up to 50%. Assume we have a home with a purchase price of $50,000. Under the current 502 program, that unit will be affordable for a family with an annual income of $11,360. Under a 20% deferred loan, the unit will now be affordable for a family with an annual income of $10,200. Increase the deferment to 50%, and the unit is accessible to households with an annual income of $8,650. Since the annual income of our typical client ranges between $6,000 to $10,000, a 20% deferment will not make a new home affordable. Only with a 50% deferment will some of our clients realize the opportunity to own a home.

Second, we support a guaranteed loan program, present only in Senator Sanford's bill. After two years of work on a settlement agreement with major North Carolina bank under the Community Reinvestment Act, I have made several observations about lending attitudes in the East - 1) bankers are unfamiliar with non-traditional lending groups, most notably low-income persons, 2) this unfamiliarity contributes to an inflated perception of the risk of lending in low-income areas and thereby fosters a reluctance to offer services there, and 3) incentives are therefore needed to encourage banks to explore these untraditional markets.

Under our CRA negotiation, we are investigating the possibility of establishing a principal guarantee program in Wilson. This program would provide a guarantee up to 90% of the principal on a small business loan. A successful principal guarantee program operates in Raleigh. We hope to develop a model for a smaller rural community. In the Raleigh program, CDBG funds were used to create the funding source from which the loans are guaranteed. The maximum loan amount is $10,000. The guarantor is a non-profit corporation which also assists in providing technical assistance to the applicant to increase his chances that the lender will find him business plan feasible. The idea of a principal guarantee program has been enthusiastically received by local banks and we have been encouraged to pursue this program. We believe an analgous guaranteed loan program for housing needs will be similarly well-received. A guaranteed loan program helps to establish a track record between banks and these untraditional lending areas.

Third, we encourage efforts to target FmHA resources to previously underserved areas. We support the greater number of areas to be so designated under Senator Sanford's bill. However, a population limitation may be helpful to ensure that funds go to the very rural areas. Under current definitions, small cities in rural areas may receive funds rather than the most remote counties. Also, a specific set aside to these underserved areas will ensure that funds are available.

II. Capacity Building

As mentioned previously, community economic development is a priority of our program. Legal Services program can represent community groups whose membership includes a majority of client-eligible individuals. We have worked with community-based organizations, and they represent a tremendous resource for housing development.

Technical assistance is lacking in the typical small town in our service area, such as a Snow Hill or a Walstonburg. Such resources are only available in places like Raleigh or Charlotte. Rural communities will have to look locally to develop the expertise and resources to create affordable housing. Such a self-help strategy is needed to promote the independence of low-income persons and communities. In Rocky Mount, North Carolina, a church-based organization, with a significant grant from the Z. Smith Reynolds Foundation and assistance from our office has evolved into the Community Development Corporation (CDC) in that area. This CDC has a redevelopment proposal before the City of Rocky Mount which includes a housing component.

We strongly favor Senator Sanford's capacity building grant program over the Cranston/D'Amato preparation advances program. The project preparation advance program presupposes the feasibility of the particular project. In our rural service area, where housing organizations and infrastructure are lacking, such a program will fail. Grants are needed to build the capacity to provide the organization and the infrastructure that must exist before a project can be proposed. Such grants are especially critical to rural areas because no CDBG entitlement cities exist in these areas. The lack of a CDBG entitlement city means that no unrestricted CDBG funds are available to provide capacity building.

The idea of capacity building is intertwined with the goal of developing public/private partnerships. It is clear that in our service area, public supported efforts alone are insufficient. In Kinston, NC, for example, a city of 20,000 people, its local government has been successful in securing CDBG grants during the last few funding cycles. However, in East Kinston, the lower income part of the city, between 80% to 90% of all housing units in a 158-block area are substandard. There are over 2700 homes in this area; only about 100 can be rehabilitated or built with each grant. In Wilson, NC, some CDBG money remains unspent; grant funds are exhausted, but funds in the rehabilitation loan program targeted to landlords remain untapped. Landlords complain that the low rents the area will support make these loan packages unprofitable.

However, combining public dollars with a community-based organization and land owners can provide the right package to attract private investment. A recent study funded by the City of Wilson to explore ways to spend its CDBG monies, public/private ventures were needed. ECLS has just received a grant from the Z. Smith Reynolds Foundation to follow up the recommendations made in the City of Wilson's study. To make conventional housing packages To make conventional housing packages work, a minimum rent or mortgage payment is needed. However, the lower income base of rural communities will not support such rent levels. This underscores the need to search for creative solutions to provide viable public/private ventures.

Within the capacity building grant program, a set aside should exist for non-profit organizations. In the competition for these grants, local governments may garner a disproportionate share of these funds. Also, a very serious roadblock to the long-term success of a non-profit organization is unpredictable, short-term funding. A housing development strategy will take years. Therefore, grants should be made for two or three-year periods. An organization will find it most difficult to plan for a multi-year project with only one year of guaranteed funding.

Thank you for the opportunity to present the concerns of the low-income citizens of North Carolina.

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TESTIMONY

before the

Senate Committee on Banking, Housing and Urban Affairs

Elizabeth City, North Carolina

July 15, 1989

Presented by:

Ms. Fannie Corbett
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Good morning Mr. Chairman, and members of the Committee. My name is Fannie Corbett, and I am the Executive Director of the Wilson Community Improvement Association (WCIA). As a lifelong resident of eastern North Carolina, I am delighted to welcome each of you to our region. WCIA is honored to have an opportunity to share with you some of the experiences and insights we have gained over the past twenty years in attempting to improve housing conditions in our local community. My testimony this morning will highlight key provisions of the legislation you are considering which I believe are essential to continue the efforts we have underway in Wilson county and in the state as a whole.

Before I provide the Committee with a brief description of the role and mission of WCIA, I would like to acknowledge the outstanding leadership of Senator Terry Sanford on rural housing and economic development issues in eastern North Carolina. Of course, I have followed the career of Senator Sanford over the years in North Carolina. It came as no surprise to me when he continued his effective steady leadership in the halls of the United States Senate. Senator Sanford has made extraordinary efforts to obtain input from local citizens all across our state regarding rural issues. Representatives from Senator Sanford's office visited Wilson last spring and spoke with WCIA staff members about their views on rural housing. This is the first time I can recall that a senate office has ever solicited the views of members of my community concerning proposed legislation.

WCIA was organized in the summer of 1968 as a nonprofit neighborhood corporation. It's membership consisted of low to moderate income representatives from several neighborhood groups in the community. Our initial objectives were to involve local people in solutions to community problems such as unpave streets, inadequate housing, and unemployment.

WCIA's objectives today are:

1. To give residents an opportunity to exchange ideas concerning the general welfare of their neighborhoods;

2. To develop residential participation in the improvement of working, living, and health conditions;

3. To ensure that neighborhood children have access to quality education and care; and

4. To restore the idea of worth and dignity to the local community and its residents.

Since its inception, WCIA's focus has evolved to meet the needs and interests of the community. Over the past twenty years WCIA has provided the following types of services to low income citizens in Wilson. These services include health education, neighborhood youth core and youth organizations, daycare for preschool children, counseling for welfare recipients, OJT training programs, family budgeting and planning, home ownership counseling, organized adult education classes, and collecting and dispensing clothing to the needy.

WCIA's most extensive and challenging work has been in the area of housing. As a little girl growing up on a farm in Wilson county, I could never understand why some farmer's barns were in better condition than tenant housing in the county. I will never forget the use of rags to plug up holes and windows and magazines to paper over cracks in walls in many of the homes of my relatives and neighbors. There was never sufficient heat in these units. With these thoughts in mind, WCIA initiated a major campaign in the early 70s to assist families in the county in securing 502 loans to become home owners. Over a three year period, we counselled about 600 families interested in the 502 program. In 1980 we shifted our emphasis to efforts to remove older persons in our community from lives of isolation, loneliness and despair into a more rewarding quality of life. That year WCIA submitted an application for a 38 unit HUD subsidized elderly and handicapped housing complex located in Wilson, North Carolina. The first occupants moved into the Gee Corbett Village Housing Project in February, 1984.

In 1982, WCIA became concerned that its housing efforts had not yet reached the sharecroppers, day farm laborers and migrant workers in our community. Looking back now, I can say that we naively assumed that local farmers, public officials and FmHA representatives would be delighted once they learned about our interest in pursuing such a project. Now seven years later after experiencing various levels of the Farmers Home Adminstration's bureaucracy, completing applications, reapplications, studies, engaging three or four consultants to work on the project, filing a federal lawsuit to compel the local jurisdiction to provide water and sewer when the project is built and still awaiting approval on this application, I can certainly say that WCIA's commitment to fulfill this housing need has never waivered. I would certainly recommend that more investigation and consideration be given to the FmHA's appeal procedures. The WCIA application is now in its final stages of preparation, and we fully expect to have this application approved by the Farmers Home Administration before December 31, 1989.

Rural Housing Needs in North Carolina and Wilson County

A large number of studies and reports have confirmed the high incidence of substandard housing in rural areas. My testimony this morning will highlight a few factors that contribute to the generally poor housing conditions in rural areas--particularly the Coastal Plain region of North Carolina. (The Coastal Plain region consists of 23 counties located between the Piedmont and Tidewater regions of the state; of these counties only one metropolitan county exists.) Wilson county is a prime example of conditions which prevail throughout the Coastal Plain region. The only urbanized area in Wilson county is the City of Wilson. In 1987, 25.3% of the County's rural population earned less than

$10,000 annually. Many residents in the County are concentrated in secondary labor market jobs (tobacco processing, operatives and unskilled positions) resulting in many family and community needs such as housing remaining unmet. A substantial number of Wilson county households who are very low income, have low education and skill levels. These persons are seasonably employed and live in "inadequate" housing. A recent study prepared for WCIA in support of its migrant housing project showed that a total of 5,142 housing units were defined as inadequate in Wilson county. A housing unit is classified as inadequate if any of the following conditions exists: lack of complete plumbing for exclusive use; more than 1.01 persons per room; more than 30% of household income is devoted to rent in rental units or in owner units the structure was built before 1939 and is valued below $25,000 in metropolitan areas or $20,000 in nonmetropolitan areas. Two-thirds of Wilson county's inadequate housing is occupied by low income persons (e.g., persons with incomes below $10,000 annually). Fourteen percent of housing in the County is heated with a wood stove or fireplace and 24% of the homes still have "dug" wells. In 1980, North Carolina still ranked seventh among all states with housing units without indoor plumbing. It is estimated that 15%-25% of rural homes in the state have no indoor plumbing and water must be hauled from a well or a neighboring home. Likewise there are no indoor bathrooms for these families.

There is no question that families need higher incomes to obtain standard housing. This is a longterm goal which involves many socioeconomic factors present in our region. Meanwhile programs need to be created to increase home ownership among low income families in rural eastern North Carolina. Such programs would reduce the percentage of target area residents who are renting substandard housing. Innovative lending programs for home mortgage lending and real estate acquisition which provide flexible guidelines and low interest rates are needed. The remainder of my testimony will address provisions in the legislation which you are considering which I believe will go a long way toward addressing the deplorable housing conditions which I have just described.

Section 502 Deferred Mortgage Program

WCIA strongly endorses the adoption of a deferred mortgage program. As I understand the loan deferral provisions of the National Affordable Housing Act, FmHA would be authorized to defer the repayment of up to 20% of the principal on Section 502 loans to very low income families in certain states. Because of the conditions which I have just described which exist in North Carolina in the Coastal Plain region, I believe there is a need to expand the deferred mortgage program. I am also concerned that this program target low and very low income persons as its recipients. To target the section 502 loan program to the type of very low income potential homeowners whoe live in Wilson county and in surrounding Coastal Plain counties, FmHA should be authorized to defer up to 50% of the loans as opposed to the 20% now under consideration in pending legislation. Mr. Chairman, I believe that very low income rural residents should have an opportunity to experience the American dream of homeownership. The increase in the local tax base, family stability, and responsibilty that often accompanies homeownership will contribute to improving the quality of life in Wilson county in years to come. Without such provisions in the federal legislation, homeownership for many of the persons that I work with in Wilson county will never become a reality. As our nation moves toward these objectives, there is still a vast need for rental property.

Underserved Areas

WCIA also supports provisions in the federal legislation to set aside FmHA loans for use in communities with high concentrations of poverty and substandard housing that have been underserved by the agency. I understand that legislation that Senator Sanford plans to introduce will expand the set aside provisions now included in the National Affordable Housing Act. The Sanford bill will double the number of counties eligible to be targeted as underserved areas, and the bill would also double the set aside of funds from FmHA programs for these areas. In 1983, it was estimated that 20.6% of North Carolina's nonmetro residents lived in poverty. The highest rates of poverty are found in the Coastal Plain region where, in 1983, one of every four people lived below the poverty level. In view of these pervasive poverty conditions in our state and the substandard housing conditions which I described above, I certainly believe there is a need to increase the coverage of counties which would be eligible as underserved areas. I was also pleased to learn that Senator Sanford's bill will require FmHA to conduct an outreach program to these underserved areas. The purpose of including these types of provisions in the federal legislation will be defeated unless interested parties at the local level are aware of these opportunities.

Capacity Building

WCIA's track record is living proof that low income, rural people--given the proper technical assistance and support--have the ability to acquire the skills necessary to become housing developers and rehabilitation specialists. For too many years, I have witnessed the introduction of technical assistance into our community only to see it withdrawn as federal funds or foundation initiatives are shifted. We need to build institutions in these rural communities which are permanent and long lasting. Community-based organizations understand the communities they serve and have developed linkages with all levels of government and neighborhoods to accomplish objectives such as housing development. Until recently, few efforts were devoted to building the capacity of rural residents themselves. I am pleased to report to you that the North Carolina Rural Development Center, the North Carolina General Assembly, and the Z. Smith Reynolds Foundation have each made conserted efforts in our state to begin to develop training programs, grant programs, and resource persons to provide the necessary components to build the capacity for leadership among local residents. But these programs do not go far enough. For this reason, I strongly support provisions in the Sanford bill which would authorize a program within FmHA to provide grants to designated underserved counties and communities for the development of housing assistance capacity. I understand the Sandford bill will appropriately target technical assistance and training in housing development, preparation of applications for housing assistance, planning and site preparation, recruitment and counselling of eligible households, adminstrative costs and other necessary activities as determined by the Secretary. Community organizations, nonprofit organizations and state and local governments will be eligible for the grant. I do have a concern about the ability of community-based organizations to compete on an equal footing for these capacity building grants with local governments. Perhaps some consideration could be given to adding provisions which create a set aside for community-based organizations in order to receive a fair share of these capacity building funds. WCIA has a clear preference for this capacity building grant approach as opposed to the project preparation advance provisions included in the National Affordable Housing Act.

Public Private Partnership and Guaranteed Loans for Housing Acquisition and Rehabilitation

I have mentioned the need for innovative lending programs for home mortgages, real estate acquisition and rehabilitation which provide flexible guidelines and low interest rates. To my knowlege, the National Affordable Housing Act includes neither a guaranteed loan program for housing acquisition and rehabilitation nor a public/private partnership component. By contrast, the Sanford bill will include both of these much needed provisions. The state of North Carolina has created the North Carolina Housing Finance Agency which provides mortgages at below market rates to developers and consumers. Although the agency was created to benefit low and moderate income people, a recent report issued by the North Carolina Poverty Project indicates that the average income of loan recipients for a single family home is $23,075. A report issued in November, 1988 by the North Carolina Rural Economic Development Center found that the per capita income of nonmetropolitan residents in the Coastal Plain region was $9,008. Clearly, the North Carolina Housing Finance Agency has had little effect on people with incomes of less than $10,000. I have also recently had an opportunity to exchange views with bankers about lending practices within low income areas. Undoubtedly there is a need to minimize the perception of risks these traditional lenders perceive as they strive to meet their obligations under the Community Reinvestment Act to provide access to credit in low income neighborhoods. The loan guarantee provisions in Senator Sanford's bill will go a long way toward achieving this result. The Act will authorize FmHA to provide loan guarantees for low and moderate income borrowers for the purpose of acquiring or constructing a single family residence. Loan guarantees will also be provided for housing repair and rehabilitation of substandard housing for occupancy by low and moderate income households. The loan guarantee will be limited to an amount equal to 90% of the loan. Eligible borrowers must have incomes that do not exceed 100% of the area median. In Wilson county in 1987, the median household income was $19,445. I understand downpayment provisions will be limited to 3% for the first $25,000 or $750 and 5% for the remainder. The barrier that downpayments represent for low to moderate income persons who use substantially all of their income for the basic necessities of life will be reduced through this innovative program. I was also quite pleased to learn that a priority for guaranteed loan programs will be established for first time home buyers. Again, the Senator's bill will include the necessary outreach program to ensure that information is disseminated to appropriate parties about this new provision.

WCIA strongly supports a demonstration program within FmHA to provide grants to nonprofit organizations to encourage public/private partnerships for the development of low income rental housing. The committment of up to 60% of the development costs of rental housing by FmHA to a project will be used as leverage to attract the participation of private investors in conjunction with tax credit financing, loans or other assistance from state housing finance agencies or local financial institutions. (Incidentally, I understand the low income housing tax credit is not being considered for extension at this time. I strongly recommend that each member of this Committee contact your colleagues in the Senate to convince sponsors of this tax credit that it does work.)

Mr. Chairman, WCIA appreciates the opportunity to present this statement. I am now available to answer any questions that you, other members or staff of the Committee may have.

ADDITIONAL QUESTIONS FOR NED FOWLER

1. The Deferred Loan Program in the Rural Housing Revitalization Act provides a deeper subsidy to very-low-income individuals than the current Section 502 FmHA program. The intent of the Deferred Loan Program is to lower the income level necessary to obtain homeownership.

Do you believe that the Federal Government should provide a deeper subsidy to very-low-income people for single-family homeownership loans? Do you believe that very-low-income households would be better served through the Section 515 rental housing program? Do you support the deferred loan program as it is outlined in the legislation?

2. The Underserved Areas component of the Rural Housing Revitalization Act sets aside FmHA loan authority for counties and communities with poverty rates over 20% and substandard housing rates over 10%. The set aside will provide some $40 million in FY 1990 and $80 million in FY 1991. Mr. Forbes expressed concern in his testimony that FmHA may not be able to fully utilize this proportion of funds in underserved areas, and that the funds could be wasted. With the high demand for FmHA funds, no one wants to waste funds that could be utilized elsewhere. However, to serve a substantial number of counties, a high level of funding must be authorized.

Do you believe that the set aside of funds will be utilized? What can the Federal government do to ensure that the funds are utilized? Will the outreach program in the bill help FmHA fully utilize the funds? Should more communities be eligible for the funds?

3. Housing assistance in underserved areas depends a great deal on organized and active non-profit organizaions that have the technical expertise to develop housing. The Capacity Building Grant Program provides grants to a number of entities to develop non-profit, housing assistance capacity in underserved areas. The testimony of Lee Forbes questioned whether FmHA funds could be better spent on the actual development of housing units.

Do you believe that the money invested in the Capacity Building Grant Program is well-spent? Should these grants be used to fund technical training of non-profit organizations? Should they pay for administrative costs?

4. The Public-Private Partnerships program seeks to involve FmHA in a new philosophical approach to housing. The program brings together federal assistance, non-profit activity, and private investment to stretch federal dollars.

Do you believe that future housing assistance must concentrate on partnerships between these three groups? Do you believe that this is a useful demonstration program?

5. Your testimony discussed administrative problems with FmHA in North Carolina. On the one hand, the State office has a good record of obligating funds at low default rates. On the other hand, the office seems to do a bad job of serving low-income people and poverty-stricken counties.

How can the Federal Government improve the administration of useful FmHA housing programs such as the self-help housing program that you mentioned? How can we push FmHA administrators to fulfill the legislative intent of the Rural Housing Revitalization Act and other housing legislation that passes the Congress?

6. The Guaranteed Loan Program in the Rural Housing Revitalization Act will guarantee 90% of loans to low- and moderate-income borrowers in areas that lack mortgage credit. These loans must be used to purchase, construct, or rehabilitate housing. The intent of the program is to encourage lenders to finance housing loans for low-income people.

How difficult is it for a low- or moderate-income person in Western North Carolina to obtain financing for a home loan? Do you believe that this program will encourage lenders to finance these loans?

7. Do you have any additional comments you would like to make on the bill or on the rural housing situation in North Carolina?

NORTHWESTERN REGIONAL HOUSING AUTHORITY (704) 264-6683
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EDWARD G. "NED" FOWLER, JR.
Secretary/Executive
Director

LINDA M. McGEE
Attorney

August 7, 1989

The Honorable Terry Sanford
United States Senator
United States Senate
Hart Senate Office Building
Washington, DC 20510

Dear Senator Sanford:

Thank you for your letter of July 31, 1989 transmitting additional questions concerning several issues dealt with in the Rural Housing Revitalization Act of 1989 (S.1371). I enjoyed participating in the field hearing of the Senate Committee on Banking, Housing, and Urban Affairs in Elizabeth City, North Carolina in this connection and am pleased to have the opportunity to provide responses below to additional questions for the record.

Item #1-Deferred Loan Program

I am certain that there are rural areas of our country where the deferred loan program as set forth in the bill will provide affordability for homeownership to individuals and families who would otherwise not have the opportunity. I cannot, in my experience, say that I believe this approach to be appropriate for the rural poor in northwestern North Carolina. Average incomes in our counties are so low and building costs so great that families at or below 50% of this area's median income will often find it most difficult to afford costs related to homeownership (taxes, insurance, maintenance, etc.) even with an interest credit loan and partial principle deferral. When additional or unexpected financial burdens such as medical costs or automotive repair bills occur for these families, they are likely to lose out on homeownership and create default or foreclosure problems for the government. It is likely here that rental assistance or some form of grant assistance will be more successful for this group of rural poor. I am not opposed to the program as presented in the legislation, but have serious reservations as to its appropriateness and applicability for our area and for other areas of the country which exhibit disparingly low median incomes.

Item #2-Underserved Areas

I believe the legislation appropriately sets aside funds for underserved areas and that these funds can and will be utilized. Given that it is more difficult to promote entrepreneurial activity to benefit low-income families in these areas by lenders, developers and builders, efforts should be made by the government to enhance incentives for these important players. Regulatory provisions for cost and participant income level adjustments would provide a promise of greater return for both private interests and for the government. Development tax credits, mortgage credits, and greater availability of subsidy contracts where needed would also enhance activity and investment. The outreach program component will be useful if implemented by FmHA in such a way as to fund local non profits and community based organizations.

Item #3-Capacity Building Grant Program
Mr. Forbes' comment discouraging the use of government funds for capacity building in favor of dwelling unit construction makes good sense, but only applies in those areas of the country where capable private interest such as his own are able and willing to make use of the funds to the benefit of eligible families. The Capacity Building Grant Program, as I understand it, is proposed for use in those areas where Mr. Forbes and his counterparts have not made the private investment necessary for profitability in rural housing activity. The absence of this private investment coupled with a short supply of local government expertise in housing service delivery will continue to leave families in many rural areas without access to FmHA and other government housing resources. Notwithstanding Mr. Forbes stated position, I strongly support the use of these capacity building funds for both training and administrative costs of effective non-profit and community based organizations. Further, I assert that this component of the legislation and its appropriate implementation is essential to a fair and equitable distribution of assistance provided for in other sections of the bill.

Item #4-Public and Private Partnerships
As discussed above, there is some hesitancy on the part of certain private builders and developers to accept the need for participation of non-profits in rural housing service delivery. I have stated that the public purpose issues of equitable distribution and accessibility to federal resource is best served in many areas through non-profits and community based organizations. I believe that private participants can enhance market share and open new markets for their business by proactively seeking cooperation and assistance of the public and quasi-public groups. Non-profits can help builders through outreach, transportation, loan docket preparation, income verification and by supporting private efforts to levels of approval by local, state and federal officials. This type of partnership effort is both necessary and effective as I am confident will be shown through the demonstration program provided for in the bill.

Item #5-Administrative Problems in Self Help Housing and in Agency Response to Federal Intent
It is my opinion that certain technical improvements would render Self Help Housing Program administration more effective:

- payment of up-front, precontract project preparation expenses to non-profit administrator
- longer term administrative cost coverage to avoid gaps in funding for the non-profit

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The Honorable Terry Sanford

-allowance for second opinion appraisals for Section 502 homes by private fee appraisers familiar with the market
-regular staff training for FmHA as well as for local administrators
-active use of low-interest loans and grants for property acquisition and development of sites for sale to self help participant families.

In my experience, the FmHA has been treated as a secondary (or tertiary or worse) division of the United States Department of Agriculture. I don't believe its purposes have been given full attention by the department's Secretaries in recent years. Housing activity is, likewise, not the primary focus within FmHA, often taking a back seat to agricultural programs and concerns. This "step-child" relationship within the federal organization leaves rural housing without a champion and at a structural disadvantage for effective and enthusiastic leadership. The Congress may need to consider placing legislative priorities on rural housing within the department or perhaps even consider moving the departmental responsibility for these important initiative altogether.

Item #6-Guaranteed Loan Program
Western North Carolina has, I believe, a remarkably low percentage of use of HUD-FHA and FNMA guaranteed loan programs. Private mortgage lenders here continue to evidence little interest in processing this type of loan. For these reasons, I consider the proposed guaranteed loan program to be much needed in our area and would like to help, if possible, in encouraging local lenders to finance these loans.

I want to thank you again for the opportunity to testify and provide comment and hope that my participation is of use to you and to the committee. Your continuing leasership in this difficult problem area is very much appreciated. Please let me know when I can be of further assistance in your efforts in the United States Senate.

Sincerely,

E. G. "Ned" Fowler
Executive Director

cc Mr. Bob Rapoza-NRHC
   Ms. Carol Noel-Florida Non-Profit Housing, Inc.

EGF/al

NORTH CAROLINA COUNCIL FOR RURAL RENTAL HOUSING
P. O. BOX 3054, 324 WEST WENDOVER AVENUE, GREENSBORO, NC 27402

Responses to Additional Questions -- Tom Honeycutt

1. The past Administration placed a low priority on federal assistance for housing and slashed the budgets of the housing programs administered by the Department of Housing and Urban Development (HUD) and the Farmers Home Administration (FmHA).

Should the Federal Government take an active role in housing assistance? If so, why? What priority should the Federal Government place on funding for housing programs?

> As has been noted time and again, the previous administration not only placed a low priority on housing programs in general, but did everything it could to eradicate Farmers Home housing programs entirely. As a result, rural or non-metro areas now contain in excess of 4 million low income families experiencing housing problems. A significant number of these involve substandard housing, such as lack of indoor plumbing. Every year thousands more housing units fall out of the low income stock than are brought into it. The Federal Government should once more take an active role in encouraging housing to be built and maintained and to encourage professional and business-like management. Without Federal Government involvement, the number of rural Americans living in substandard housing will continue to increase.

2. The Underserved Areas component of the Rural Housing Revitalization Act sets aside FmHA loan authority for counties and communities with poverty rates over 20% and substandard housing rates over 10%. The set aside will provide some $40 million in FY 1990 and $80 million in FY 1991. Mr. Forbes expressed concern in his testimony that FmHA may not be able to fully utilize this proportion of funds in underserved areas, and that the funds could be wasted. With the high demand for FmHA funds, no one wants to waste funds that could be utilized elsewhere. However, to serve a substantial number of counties, a high level of funding must be authorized.

Do you believe that the set aside of funds will be utilized? What can the Federal government do to ensure that the funds are utilized? Will the outreach program in the bill help FmHA fully utilize the funds? Should more communities be eligible for the funds?

> Due to a lack of an existing infrastructure to utilize underserved area set asides, I, too, have questions regarding the initial usage of these funds. However, I agree that if the funds are to be used, FmHA may need to have added incentive to use them and the threat of having to return unused moneys to the Treasury Department may help.
>
> The outreach program provided for in the bill should clearly make housing programs a priority for loan funding, requiring the agency to develop a strategy that will encourage county, district and state offices to participate to the fullest. This will be difficult to accomplish with the bureaucratic procedures currently in place.

More than likely, however, a hold would be placed on other funds until these set asides were used, thereby further complicating and possibly delaying normal loan processing.

Concerning why these areas are underserved, please note the following: Regardless of the poverty rates and substandard housing rates in a community, there may simply not be sufficient market to support additional new housing. Another consideration is that in many communities, water and sewer is not available. Although Farmers Home regulations do allow septic tanks and wells, experience shows that these are additional burdens which must eventually be born by the tenant in the form of rents and do not work out on a permanent satisfactory basis. I am sure you would find that in some areas of North Carolina, which could be considered underserved, the reason has something to do with the unavailability of services to proposed sites such as water and sewer.

I am sure that you will find that some areas of North Carolina which could be considered underserved are such because of the unavailability of services to proposed sites, such as water and sewer.

The number of communities as provided in the proposed legislations appears adequate for the present time.

3. In your testimony, you were concerned about whether the Public-Private Partnerships Program would attract private investors.

Can you expand upon this point?

My concerns involving the Public/Private Partnership Grant Program center around the commitment of the sponsors involved. This program will only work if experienced, committed, responsible organizations make up the partnership who are interested in being involved in long-term low income housing in rural areas. Experience, with HUD for example, has shown the inability of many non-profits to sustain this type of effort over long periods of time.

Also in regards to public/private partnerships, a grant made by FmHA is not a commitment of loan funds and therefore will not qualify the proposed site for tax credit allocation. Alone it probably will do nothing more or less than show "the commitment of the Secretary." A grant commitment combined with an FmHA "obligation of funds" would be necessary for tax credit allocation. It would be a shame to see grants made to ventures which are not realized because tax credits were not available.

> Obviously, our national housing policy has evolved into a situation where it is now heavily tied to tax law. Authorizing committees should be encouraged to make sure tax laws maintain a certain level of incentive for investors. Without this tax incentive, desperately needed housing will simply not be built. If our housing policy is to be based on tax incentives, then a good beginning to ensure the availability of the incentive would be to authorize an automatic tax credit allocation to Section 515 projects when these loans are obligated. My testimony further spells this out.

4. Your testimony discussed the permanent affordability issue for the Section 514 and 515 rental housing programs. The Congress must find a solution that provides incentives for private development of low-income housing, maintains permanent affordability, and limits the cost to the Federal Government.

Do you think that your proposal can satisfy these three requirements?

> Permanent affordability has become focused on the wrong issue, causing legislation to be introduced which would prohibit prepayment during the 50-year life of a Section 515 loan, when in reality the goal is to ensure occupancy by eligible tenants for the 50-year period. This goal can be met while still permitting prepayment by requiring the owners to maintain eligible occupancy for the 50-year life of the loan, which is the exact mechanism used for the 20-year lock-in under present law. Please refer to Section 502(c)(1) of the Housing Act of 1949, which directs the Secretary to permit prepayment if the Secretary takes appropriate action to obligate the owner to utilization of the housing for the purposes specified. A simple change to Section 502(c)(1)(B) would drop the need for an absolute prohibition and help maintain consistency in the program.
>
> The second part of our proposal would recommend the establishment of a guaranteed loan program for the amount of the ownership entity's equity in the project based on its appraised value. Accordingly, after a specified period such as 15 years, the developer could obtain an FmHA guaranteed second mortgage for 90% of the then equity available in the project. This would permit the owner to borrow the cash needed for necessary repairs or to provide a return on capital at that time. It would also be possible to tie in tax credits for rehabilitation expenses, providing an added incentive for developers to stay in the program. This will also ensure the general maintenance and upkeep of the building for the duration of the loan. Because this amount would be guaranteed and not a direct loan, it would not be a debit against the ability of FmHA to utilize its currently obligated funds to make loans for new projects. After an owner has obtained such a loan he or she would not be able to obtain another such loan on the project for another 15-year period.

These options are not mutually exclusive. Indeed, the owner should have the choice of either being able to prepay the loan as long as the project remains rented to Section 515 eligible tenants for the length of the original mortgage, or to obtain the guaranteed equity loans every 15 years.

Our proposal is similar to what is available now according to Farmers Home regulations regarding prepayment of pre-December 21, 1979 loans. With the exception of the equity loan, which according to FmHA regulations is a new loan made from available FmHA funds. Our proposal calls for a 90% of equity loan guaranteed by FmHA and therefore is not a direct loan.

It is also important to remember that lack of consistency due to continuous changes in regulatory requirements and tax laws has greatly affected the faith of investors in low income housing as investments. Changes in regulations concerning prepayment and the apparent disregard for contractual rights has also stressed investor confidence and willingness to be involved in these programs.

5. Do you have any additional comments you would like to make concerning the bill or the rural housing situation in North Carolina?

While the legistlation proposes additional rental assistance funds for servicing, it should be stressed that many existing contracts are beginning to expire. Additional funds allocated are being used to renew old contracts and therefore, not necessarily being used in a strict servicing sense to offset rent overburden.

In connection with Section 502 funding, all involved should be excited about the attention given and increased funding proposed for this type of home ownership. However, FmHA regulations still in place severely restrict the qualifications necessary for granting Section 502 loan approval. For example, current regulations require little or no existing consumer debt on the part of the applicant for loan approval.

Please consider providing for a 10% deduction on earned income to working families, "for purposes of rent computation..." Such a deduction is important because the 30% rent-income ratio is then based on take home pay, rather than gross pay. In rural areas, in particular, this is important since the 30% requirement on very low incomes can be burdensome and there is little left for other basic necessities such as food and clothing. In addition, please consider the increase in the allowance for dependents from $480 to $550 as long overdue and extremely important to struggling low income families and their children.

Since these provisions are included in HR1180, these items could be agreed to during Senate House conference and made a part of the National Housing Legislation.

ADDITIONAL QUESTIONS FOR LINDA SHAW

1. The past Administration placed a low priority on federal assistance for housing and slashed the budgets of the housing programs administered by the Department of Housing and Urban Development (HUD) and the Farmers Home Administration (FmHA).

Should the Federal Government take an active role in housing assistance? If so, why? What priority should the Federal Government place on funding for housing programs?

2. The Underserved Areas component of the Rural Housing Revitalization Act sets aside FmHA loan authority for counties and communities with poverty rates over 20% and substandard housing rates over 10%. The set aside will provide some $40 million in FY 1990 and $80 million in FY 1991. Mr. Forbes expressed concern in his testimony that FmHA may not be able to fully utilize this proportion of funds in underserved areas, and that the funds could be wasted. With the high demand for FmHA funds, no one wants to waste funds that could be utilized elsewhere. However, to serve a substantial number of counties, a high level of funding must be authorized.

Do you believe that the set aside of funds will be utilized? What can the Federal government do to ensure that the funds are utilized? Will the outreach program in the bill help FmHA fully utilize the funds? Should more communities be eligible for the funds?

3. Housing assistance in underserved areas depends a great deal on organized and active non-profit organizations that have the technical expertise to develop housing. The Capacity Building Grant Program provides grants to a number of entities to develop non-profit, housing assistance capacity in underserved areas. The testimony of Lee Forbes questioned whether FmHA funds could be better spent on the actual development of housing units.

Do you believe that the money invested in the Capacity Building Grant Program is well-spent? Should these grants be used to fund technical training of non-profit organizations? Should they pay for administrative costs?

4. The Public-Private Partnerships program seeks to involve FmHA in a new philosophical approach to housing. The program brings together federal assistance, non-profit activity, and private investment to stretch federal dollars.

Do you believe that future housing assistance must concentrate on partnerships between these three groups? Do you believe that this is a useful demonstration program?

5. Your testimony discussed administrative problems with FmHA in North Carolina. On the one hand, the State office has a good record of obligating funds at low default rates. On the other hand, the office seems to do a bad job of serving low-income people and poverty-stricken counties.

How can the Federal Government push FmHA administrators to fulfill the legislative intent of the Rural Housing Revitalization Act and other housing legislation that passes the Congress? How can the Congress push the North Carolina FmHA office to actively implement and administer useful FmHA housing programs?

6. The Deferred Loan Program provides a deep subsidy through the Section 502 program to very-low-income families. The intent of the program is to expand homeownership opportunities for very-low-income households and to help states utilize the 40% set aside of Section 502 funds for very-low-income families. Some concern has been expressed over whether very-low-income families can afford to own a home, or whether they would be better served through the Section 515 rental housing program.

Do you believe that the Federal Government should provide deeper subsidies to very-low-income people for homeownership or should federal funds for very-low-income people be used to provide rental opportunities? Is there an income level at which households cannot afford to own their own home? Do you support the Deferred Mortgage Plan as it is outlined in the legislation?

7. Are there any additional comments you would like to make on the bill or on rural housing in North Carolina?

NORTH CAROLINA LOW INCOME HOUSING COALITION

P.O. Box 27863 Raleigh, NC 27611-7863 919-833-6201

To: Matt Churchill, Office of Senator Terry Sanford
From: Linda Shaw, Executive Director
Re: Response to additional questions on the Rural Housing Revitalization Act
Date: August 11, 1989

1. Clearly, the federal government must take an active role in housing assistance for low income citizens. The impact of the federal government's withdrawal from housing has been severe in North Carolina. In 1981, over 7000 HUD assisted units were added to the state's housing stock; in 1985, only 2000 assisted units were built. Yet estimates of need based on income and the cost of housing indicated that the state had a shortage of over 48,000 rental units affordable to the very low income. The federal cutbacks have been accompanied by an increase in homelessness. In North Carolina, over 8000 people are homeless.

Although we believe that state and local governments should also assume responsibility for meeting low income housing needs, they cannot replace the housing funds lost from the federal government. The for profit private sector needs inducements (and nonprofits need assistance) to serve unprofitable market areas. The poorer a community, the more the federal assistance is needed.

Housing is a basic necessity of life. A country which does not provide the basic necessities for its citizens severely jeopardizes its future. Protecting and nurturing the development our human resources by providing decent affordable housing should rank among the highest priorities of the federal government.

2. The outreach program will certainly enhance the chances of FmHA utilizing the funds designated for underserved areas, but only if organizations other than FmHA do the outreach. It will require more than this, however. As I indicated in my testimony, the legislation needs teeth in it to assure that the funds will be utilized. Either establish a quota that will force local FmHA offices to deal with low income housing development or allow the funds to be contracted to organizations which can and will meet the needs. We urge that these funds remain designated for these target areas. Rather than recapturing unused funds, make them available to other housing organizations if FmHA is unwilling or unable to fulfill its housing mission.

Despite the obvious need for low income housing, both in the areas designated as underserved and in other counties, it is unlikely that the set aside will be utilized *without changes to the existing administrative structure* at both the state and local level. In some instances, the local office exhibits no interest in doing housing, but even when the interest exists, there appears to be a fear of undertaking riskier loans (which any very low income housing program will be). In North Carolina, FmHA job and professional awards are based on low delinquency rates - not providing housing for the poor - so staff are naturally hesitant to undertake risks. One coalition member tells of designing an innovative program to allow participation of very low income households which the local county supervisor essentially "pocket vetoed" by inaction. And this was a "good" supervisor who actually had worked to use FmHA housing funds in his county.

3. Money invested in the capacity building program is just that - an investment. The Coalition believes that it is a wise investment. Criticism that the funds would be "better spent on actual development of housing units" is very shortsighted. Without building the capacity for housing development within these areas, it is unlikely that their housing needs will ever be met, as demonstrated by past behavior.

Capacity building grants are crucial for nonprofits. The grants should provide for technical training as well as administrative costs. Many nonprofits are doomed from the outset because they are underfunded and understaffed and do not have an opportunity to develop a sound financial base to permit growth and expansion for future housing projects. This program would make FmHA one of the few resources available for the "soft" costs of development in areas where financial resources are scarce.

Please note that capacity building is a gradual process which requires a long term commitment. The two year life span of the Rural Housing Revitalization Act does not provide such a long term commitment. Additionally, there is some question if a new nonprofit, or even an existing nonprofit in underserved areas, would be unable to effectively utilize the amount of money available in the first year. The program would be enhanced if designed to provide smaller amounts of funding over a longer period of time.

4. A public-private partnership perspective is essential for any substantial program of housing assistance. This is especially true in underserved rural areas where financial and material resources are limited. As already stated, nonprofits invariably lack these resources and require input from government at all levels as well as from the private sector. Joint venturing is now common in housing development. Rising costs necessitate subsidies to low income housing such as tax credits, grants, local bond issues and below market rate private financing. These partnerships are now predominate in urban areas and they are even more dramatically needed in rural areas.

5. Suggestions for getting FmHA to fulfill its housing obligations are included in the response to the second question on underserved areas as well as in my original testimony. Instituting a higher permissible default rate at the state level appears to be very important. Unfortunately, there is no easy answer to this problem, but solving it is critical to meeting the housing needs of very low income rural households.

6. NCLIHC does not subscribe to the common American perception that owning a home is inherently superior to renting one. However, we also do not believe that people must be renters simply because they are poor. We do believe that everyone deserves a decent, sanitary and affordable place to live. The question is not homeownership verses rental, but what programs will meet the varying housing needs of low income households. The deferred loan program would help meet the housing needs of the very rural poor who will not be served by FmHA multifamily rental projects, because such projects require services not available in many rural areas. Therefore, this program would be a useful tool in meeting low income housing needs.

Our research indicates that an even deeper subsidy (such as that included in House Resolution 1180) would be even more useful. By significantly lowering the income eligibility floor, North Carolina FmHA offices could definitely use the 502 very-low income allocation, which is the only FmHA program seriously underutilized in this state.

However, we reiterate our concern that the program must be carefully designed with considerable input from practioners and low income advocates.

ADDITIONAL QUESTIONS FOR WINSTON SESSOMS

1. In your testimony, you discussed the manner in which FmHA county officials interpreted regulations to meet their own political or philosophical viewpoint.

Can you expand on this portion of your testimony? What must the Federal Government do to ensure that the legislative intent of the Congress is implemented through FmHA regulations and administration?

2. As the Executive Director of a non-profit community organization, you have extensive knowledge of the importance of non-profit housing organizations for the development of housing in rural areas. The Capacity Building Grant Program is designed to help non-profit organizations obtain the technical expertise and the financial support to successfully engage in housing assistance efforts.

Do you believe that the Capacity Building Grant Program will help catalyze housing development in areas underserved by FmHA? Do you believe that the funds provided for this program are well-spent?

3. The Guaranteed Loan Program in the Rural Housing Revitalization Act will guarantee 90% of loans to low- and moderate-income borrowers in areas that lack mortgage credit. These loans must be used to purchase, construct, or rehabilitate housing. The intent of the program is to encourage lenders to finance housing loans for low-income people.

How difficult is it for a low- or moderate-income person in Northeastern North Carolina to obtain financing for a home loan? Do you believe that this program will encourage lenders to finance these loans?

4. Do you have any additional comments you would like to make on the bill or on the rural housing situation in North Carolina?

Responses to Additional Questions -- J. Winston Sessoms

1. Examples: All applications are approved by the county supervisors and eligibility is determined by the client's ability to repay the loan. In determining the eligibility the projected cost of living is based on the cost of a middle income person. This disqualifies the low-income client. In order to process an application there must be a sound judgement made by the supervisor and this is one of the major problems. The judgement or decision is based on the attitude and the way they think relative to assisting poor and disadvantaged citizens. I assure you that discrimination is still a part of the process with some supervisors.

In order to improve the housing conditions for low-income citizens there must be some risk and I am aware that there are some homes presently in inventory. If a study was made many of these homes were owned by families that were separated and many of them were families that could have made their monthly payments if the house had been the first priority. The people we are attempting to assist normally consider the home their first priority.

Another major problem is the inability of low-income citizens to follow regulations relative to completing the application. This is when an agency such as ours (community action) enters the picture. But in order to explain and defend the application a staff person must accompany the client but in many cases the supervisor will not allow the staff to be present. It has been my experience that once the application is approved by the county supervisor it is funded. But I must remind you that for one reason or another the application never gets beyond the county office. There are times they are returned without any action and there are times when applications are not accepted when money is available.

One criteria in receiving FmHA funds is that a client cannot receive assistance from other sources of lending agencies. When a family is denied by FmHA they will buy a $40,000 mobile home, pay high interest on that loan with monthly payments twice as much as a FmHA home loan and keep those payments current which indicates that the credit reprot did not justify denial of a loan from FmHA. May I remind you that very few mobile homes are repossessed because people must have somewhere to live.

Recommendations: That the FmHA Housing Loan Program take more risk in approving applications. The credit report should not be the major reason for denial. The State allocation should be alloted to counties according to population and the number of low-income citizens. Supervisors that fail to utilize their allocation should be required to report to Washington giving the reason why funds were not used. Supervisors should attempt to assist clients in becoming eligible. Clients that show promise should be assisted. It is not realistic to expect low-income citizens to have bank accounts, many pay their bills with cash.

2. Capacity Building Grant: It has been my observation that there are private, non-profit, local Government Agencies interested in housing. There are also church organizations that have expressed interest in developing housing. When we consider the number of mobile home parks that continue to be developed I realize that other agencies mentioned above will be in competition with owners of mobile homes. But with the continued increase in demand for housing there will be a need for additional housing. Relative to the use of funds I believe that they will be well spent. Private, non-profit, local agencies and local governments could develop housing but are reluctant because of the developmental stage. This grant will be very helpful in improving the rental stock in rural North Carolina.

3. The Guaranteed Loan Program is a valuable program but must be explained to the general public because borrowers get the wrong impression when the loan is guaranteed. They must realize that the loan must be repaid. With the loan being guaranteed the lending agencies will be more inclined to make loans to low-income citizens. It is very difficult for low-income or moderate income citizens to receive housing loans. When we think of low-income citizens we are thinking about disadvantaged citizens. They have been denied many times and taken advantage of socially and economically. There is a degree of fear and lack of motivation to challenge the system that has oppressed them for many years. Therefore, they seek the easy solution to many problems realizing that the easy way is going to cost them additional money. For example: the FmHA has an appeal system in place but they prefer to buy a mobile home than to go through the appeal process. They feel that the appeal will add to the problem and they will not receive the loan. The low-income citizens do not act, they react to deal with the basic needs. Therefore, many do not pay their bills on time but when they are reminded that the bill is due they find ways to make those payments. This is the reason they have a bad credit rating, not that they did not pay the bill but that it was late. This is why they should have a second chance as stated before. Some risk must be taken relative to their credit. I cannot think of any agency that should take the risk other than the United States Government when we think of the chance given big businesses and the risk taken. This is a good bill and if all funding sources are utilized the housing problems in rural America should be alleviated.

We support you and trust that this bill will be approved.

ADDITIONAL QUESTIONS FOR JOHN KELLER

1. The past Administration placed a low priority on federal assistance for housing and slashed the budgets of the housing programs administered by the Department of Housing and Urban Development (HUD) and the Farmers Home Administration (FmHA).

Should the Federal Government take an active role in housing assistance? If so, why? What priority should the Federal Government place on funding for housing programs?

2. The Underserved Areas component of the Rural Housing Revitalization Act sets aside FmHA loan authority for counties and communities with poverty rates over 20% and substandard housing rates over 10%. The set aside will provide some $40 million in FY 1990 and $80 million in FY 1991. Mr. Forbes expressed concern in his testimony that FmHA may not be able to fully utilize this proportion of funds in underserved areas, and that the funds could be wasted. With the high demand for FmHA funds, no one wants to waste funds that could be utilized elsewhere. However, to serve a substantial number of counties, a high level of funding must be authorized.

Do you believe that the set aside of funds will be utilized? What can the Federal government do to ensure that the funds are utilized? Will the outreach program in the bill help FmHA fully utilize the funds? Should more communities be eligible for the funds?

3. Housing assistance in underserved areas depends a great deal on organized and active non-profit organizations that have the technical expertise to develop housing. The Capacity Building Grant Program provides grants to a number of entities to develop non-profit, housing assistance capacity in underserved areas. The testimony of Lee Forbes questioned whether FmHA funds could be better spent on the actual development of housing units.

Do you believe that the money invested in the Capacity Building Grant Program is well-spent? Should these grants be used to fund technical training of non-profit organizations? Should they pay for administrative costs?

4. The Public-Private Partnerships program seeks to involve FmHA in a new philosophical approach to housing. The program brings together federal assistance, non-profit activity, and private investment to stretch federal dollars.

Do you believe that future housing assistance must concentrate on partnerships between these three groups? Do you believe that this is a useful demonstration program

5. The Deferred Loan Program in the Rural Housing Revitalization Act provides a deeper subsidy to very-low-income individuals than the current Section 502 FmHA program. The intent of the Deferred Loan Program is to lower the income level necessary to obtain homeownership.

Do you believe that the Federal Government should provide a deeper subsidy to very-low-income people for single-family homeownership loans? Do you believe that very-low-income households would be better served through the Section 515 rental housing program? Do you support the deferred loan program as it is outlined in the legislation?

6. The Guaranteed Loan Program in the Rural Housing Revitalization Act will guarantee 90% of loans to low- and moderate-income borrowers in areas that lack mortgage credit. These loans must be used to purchase, construct, or rehabilitate housing. The intent of the program is to encourage lenders to finance housing loans for low-income people.

How difficult is it for a low- or moderate-income person in Northeastern North Carolina to obtain financing for a home loan? Do you believe that this program will encourage lenders to finance these loans?

7. Do you have any additional comments you would like to make on the bill or on the rural housing situation in North Carolina?

John Keller

Responses to Additional Questions of August 1, 1989

1. In February, 1989 the U.S. Bureau of the Census and HUD issued the first comprehensive set of data in more than 4 years on housing conditions nationwide. These data show that most poor households in the U.S. pay extremely large proportions of their income for housing costs. HUD has established a standard that housing will be considered "affordable" for a low-income family if housing costs do not exceed 30% of the household's income. The new data show that the typical poor renter household has an anuual income of $5500 (1988 dollars) and pays 65% of its income for housing. The typical poor homeowner household pays 47% of its income for housing. Approximately 60% of poor households were renters. To really comprehend the magnitude of the affordability problem for low-income households, one can compare the number of low-income households to the number of rental units that would be affordable (i.e. consume 30% of income or less). In 1970 the number of rental units exceeded the number of households by 2.4 million. In 1985 the number of households exceeded the number of units by 3.7 million. The increase in the shortage of low rent housing can be attributed toan increase in the number of poor families, a decline in the average income of poor families, a reduction in the number of low rent units in the market, and the resulting increased competition, raising rents. Poor renters are twice as likely to live in substandard units as non-poor renters and 3 times as likely to live in overcrowded units.

Unlike other "safety net" programs, the poor are not entitled to housing assistance. Less than 1/3 of poor renter households received any form of rental assistance in 1987. In contrast the U.S. provides extensive housing assistance to middle and upper income households. In 1988 the federal government spent $13.9 billion on housing programs. In the same year, mortgage and property tax deductions for housing totalled $53.9 billion. By less visible means, the federal government takes an active role in housing assistance. The question becomes which group in society do we choose to assist. High housing costs for poor families have serious implications. It is no coincidence that holelessness reached national attention in a decade when housing stock and government assistance to housing dropped sharply. The likelihood that a poor household will be without food for a part of the month is great when such a large portion of income is spent on rent. Health problems increase when dwellings are poorly insulated or not weathertight. Children cannot concentrate on schoolwork when the unit is cold or overcrowded. Families' energies may be consumed in confronting an eviction or tensions remain high when conditions are difficult. A decent place to live means more than simply shelter. A decent place to live promotes a family's security, peace and sense of dignity.

Funding for housing assistance is already a priority in the U.S. The question remains, in what portion of that funding will the poor share. The needs of the poor are great and, regrettably, increasing. The federal government should place a clear and high priority on meeting housing needs of the poor.

2. I don't have enough information to respond adequately.

3. In the short term, more housing stock will be created by directing all moneys to housing construction and no moneys to capacity building. However, to conclude that no money should go to capacity building is a myopic response to the long-term problem. A Capacity Building Grant Program will enable a community to develop self-sufficiency in addressing local housing needs. A Capacity Building Grant Program is the first step in a self-help approach to local communities tackling their housing problems. Once a local community has developed an organization or infrastructure to build affordable housing, that organization will last and grow. It would be helpful for some grants to be used to fund technical training. But technical training is just one aspect of developing a viable non-profit organization. Funds should not be consumed in outside training to the exclusion of funds for the consulting, construction, and administrative costs of such a non-profit. I believe administrative costs should be paid; possibly having a staff person's salary funded will make the financing of administrative costs more attractive.

4. I believe that future housing assistance must include partnerships between federal support, non-profits, and private investment. The current lack of private investment in low-income housing reveals that insufficient incentives exist to stimulate investment. Tax credits, deferred loans, and interest subsidies are needed to make private investment feasible. The rental or mortgage payment a low-income family can afford simply does not allow a private developer to make a profit on his investment. The long-term benefit of creating these linkages will be a learning curve effect - as private developers and non-profits work together, packages will be put together more easily and federal assistance more readily utilized.

These partnerships should not be viewed as a panacea, however. The federal government's role should not be diminished to the mere provider of grants or tax credits. Building these partnerships is difficult, especially more difficult in rural areas where both federal moneys and private sector sources of capital are scarcer. If decent housing for poor people is a national priority, that priority must be reflected in substantial investment and active participation by the federal government in housing assistance.

5. I believe the written testimony accompanying these responses addresses the first and third questions. Regarding the second question, there is a shortage of both rental and home ownership opportunities for low-income people in eastern North Carolina. Expansion of either program will be beneficial. For some very low-income families, the incidental costs of home ownership (taxes, responsibility for maintenance and repairs) may make renting more attractive. However, in this region, developers prefer to undertake single family construction. There appears to be a higher perception of risk associated with multi-family construction.

6. For low- and very low-income persons, obtaining a home loan is near impossible. Because incomes are so low, further interest write-downs and/or principal deferrals may have to be combined with a guarantee to make payback on the loan feasible.

ADDITIONAL QUESTIONS FOR FANNIE CORBETT

1. As the Executive Director of a non-profit community organization, you have extensive knowledge of the importance of non-profit housing organizations for the development of housing in rural areas. The Capacity Building Grant Program is designed to help non-profit organizations obtain the technical expertise and the financial support to successfully engage in housing assistance efforts.

Do you believe that the Capacity Building Grant Program will help catalyze housing development in areas underserved by FmHA. Do you believe that the funds provided for this program are well-spent?

2. The Deferred Loan Program in the Rural Housing Revitalization Act provides a deeper subsidy to very-low-income individuals than the current Section 502 FmHA program. The intent of the Deferred Loan Program is to lower the income level necessary to obtain homeownership.

Do you believe that the Federal Government should provide a deeper subsidy to very-low-income people for single-family homeownership loans? Do you believe that very-low-income households would be better served through the Section 515 rental housing program? Do you support the deferred loan program as it is outlined in the legislation?

3. The Underserved Areas component of the Rural Housing Revitalization Act sets aside FmHA loan authority for counties and communities with poverty rates over 20% and substandard housing rates over 10%. The set aside will provide some $40 million in FY 1990 and $80 million in FY 1991. Mr. Forbes expressed concern in his testimony that FmHA may not be able to fully utilize this proportion of funds in underserved areas, and that the funds could be wasted. With the high demand for FmHA funds, no one wants to waste funds that could be utilized elsewhere. However, to serve a substantial number of counties, a high level of funding must be authorized.

Do you believe that the set aside of funds will be utilized? What can the Federal government do to ensure that the funds are utilized? Will the outreach program in the bill help FmHA fully utilize the funds? Should more communities be eligible for the funds?

4. The Public-Private Partnerships program seeks to involve FmHA in a new philosophical approach to housing. The program brings together federal assistance, non-profit activity, and private investment to stretch federal dollars.

Do you believe that future housing assistance must concentrate on partnerships between these three groups? Do you believe that this is a useful demonstration program?

5. A number of witnesses at the hearing discussed administrative problems with FmHA in North Carolina. On the one hand, the State office has a good record of obligating funds at low default rates. On the other hand, the office seems to do a bad job of serving low-income people and poverty-stricken counties.

What is your personal experience with FmHA in North Carolina? How can the Congress push the North Carolina FmHA office to actively implement and administer useful FmHA housing programs?

6. Do you have any additional comments you would like to make on the bill or on the rural housing situation in North Carolina?

Responses to Additional Questions -- Fannie Corbett

1.) The Capacity Building Grant Program will help catalyze housing development in areas underserved by: (1) providing a basic education program needed by the underserved areas to know and understand, (a) what is the FmHA program, and (b) what is the FmHA program is about, (2) it will enable and establish community based non-profit groups to form and inform underserved areas through, (1) out-reach, (2) leadership development (3) empowerment, and (4) through the educational process, the communities will (a) become leaders, (b) establish their own non-profit organization that will help to conduct out-reach, at the same time, educate the communities of the housing program and the "How to's.

One of the greatest needs of the communities is the need to know how to care for their facility. In the past, the government has expected the tenant to move from a dwelling without modern appliances into a facility with modern appliances; they need to know how to care for these appliances. When the tenant was or did not give the unit proper care, they were labored as "No Good", etc.,--not so, it was due to the lack of educating the tenant on how to care for a facility that they have never been exposed to.

Most community based non-profit organizations are made up of people from underserved area that knows the needs of the people and are able to relate to them. The basic educational/outreach program is conducted by the community based organization to insure the well spending of the housing funds.

2.) Since working with housing, I have worked with the low to very-low-income families in rental and homeownership of newly constructed homes. To really help the low to very-low-income individuals to become homeowners, there should be a deeper subsidy. I would suggest 50% instead of 20%. In helping the these people, we should look at what it is doing other than helping them to become homeowners. In addition, to becoming homeowners, it is (1) giving them back their dignity, (2) self respect, and (3) self-esteem. Owning a home, will also give them a chance to (1) control their destiny, (2) to be an asset to the community by becoming a taxpayer, (3) Stop the out migration of the young people, and (4) it will be less costly to the federal government.

I believe that Section 515 Rental Housing Program should be funded for the people who rather rent then buy. The low to very-low-income individuals should have a right to their choice of housing as well as anyone else. I believe the deferred loan program is a good program and that it should address or include to the above statement.

3.) I believe the funds can be fully utilized if the Rural Housing Revitalization Act is modified to ensure that the low and the very-low-income communities are reached. The out-reach Program, in the bill, will be a great help to ensuring that all funds are used. However, target areas will have to be clearly defined in the bill by the secretary and should not be left up to the local FmHA office to be defined. I think the 10% and the 20% rates are too high.

There has been a slow down in construction of housing in the rural areas where there is no water system. A large portion of these funds could be used to install water systems or extend the water lines from small towns or cities.

4.) I further believe the Public-Private Partnerships Program should be kept intact and given a chance to see if it will work with FmHA and how or will the low to very-low-income families benefit from it. I can only see it working with the small farmers or landowners; although, it could play a greater role in the future when situation have improved in the rural areas.

5.) Since 1972, I have worked with FmHA trying to get housing for the low to very-low-income individuals; and, until this day, there has not been any changes. The office staff philosophy is that the funds are there to lend to whoever they want and for the reason that they see appropriate. The choices of borrowers does not include the (1) low-income individual, (2) housing for the low-income, and (3) black contractors.

I use to wonder why the small black farmer's farms and crops were so unhealthy and the large farmer's were different. I was surprise to learn that there was a government agency that made loans to the farmers to buy seeds and fertilizer. The small black farmer did not know of this office, therefore, his crop suffered.

It is clear, the funds left unspent in the budget at the end of every year is because of FmHA not wanting to spend funds for the low-income people. WCIA and other organizations have fought for eight (8) years to bring housing into rural Eastern North Carolina. However, because of the stigma of who should get FmHA funds. We are still looking forward to building our first project.

This bill will make a great difference in the FmHA office through, (1) capacity building, and (2) involving non-profit Community Economic Development (CED) groups. However, the greatest improvement will come when the staff members in FmHA office Who Can Not Cope With Changes are removed or retired.

What criteria can be used to measure where these offices are located----THE UNDERSERVED COMMUNITIES will point them out for you.

6.) It is my firm belief that all efforts should be made to provide decent, safe and sanitary housing for all people in America, whether they are low-income. very-low-income or migrant workers. These are the people who help to make this county great; they are the ones who are still using their bare hands to put food on our tables. Therefore, we must diligently strive to remove all abstacles that stands between these people and affordable housing AT ONCE!!!

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

1027 Harbor Drive
Annapolis, MD 21403

August 21, 1989

Senator Terry Sanford
SH 716 Hart Senate Office Bldg.
Washington, D.C. 20510-3304

Attn: Mr. Matthew Churchill

Dear Senator Sanford:

I wish to register my appreciation, as a member of the rural housing movement, for your introduction of S.1371, the Rural Housing Revitalization Act of 1989. The increase in authorization levels marks a turnaround from a downturn which began in 1981. It provides hope that this action will lead to some narrowing of the gap between need and resources. I was particularly pleased that you included the Indian housing amendment and the concept of mortgage deferral, both items I've proposed for several years.

This letter is written to urge you to consider the mortgage deferral language in HR.1180 as a substitute for that found in Section 3 of your bill. I developed both concepts of deferring mortgage payment for the Housing Assistance Council (HAC) and the National Rural Housing Coalition (NRHC). My paper encouraged the idea of deferring mortgage principal, but also provided example of payment deferral. I believe the House writers extracted the best and most practical features from that proposal.

The House version allows the practical affordable income floor to be reduced by 22-23 percent, whereas the corresponding reduction in your version is limited to approximately 9 percent. While true that this difference could be mitigated by raising the 20% level of mortgage deferral in your bill, there are practical considerations which favor the House version. Deferred payment, rather than deferred mortgage amounts, will be much easier for FmHA to implement. The systems needed to operate a deferred payment program would be very similar to that the agency now uses for payment moratoria. A rural housing peer advised me that legislation should not be skewed to meet administrative needs, but this is a case where comparative simplicity will yield less cost and quicker, easier implementation. When FmHA was voicing opposition, albeit it oral, I met with two of the agency directors who would administer the program. They essentially; (1) favored deferred payment over deferred mortgage and for the reasons I've noted, (2) had some operational concerns related to the 30 percent of income considerations (FmHA uses 20 percent of income toward PITI as a gauge of affordability for the Section 502 program. I subsequently worked out a way to mitigate their concerns), and (3) advocated deleting the words "Shall be subject to full recapture" from HR 1180 (Section 521(a)(1)(D) already provides recapture authority and the House phrase seemingly eliminates the borrower incentive safeguards now in the law).

Thank you for your consideration. I recommend that, if not possible to amend your own bill, you support the House version (with changed recapture language) in conference.

Sincerely,

Art Collings

Arthur M. Collings, Jr.

Table 1

(Comparisons of Incomes Required by Section 502)
Interest Credit Program with Deferred Payment Options)

(1) Mortgage	(2) Taxes	(3) Insurance	(4) Maint. & Utilities	(5) Full(a) Payment	(6) 30%(b) Def.	(7) 50% Def.	(8) 70% Def.	(9) 90% Def.	(10) Required Income(c)
$40,000	250	$ 200	$1,000	$1,426	-	-	-	-	$ 9,587
	-	-	-	-	$998	-	-	-	8,160
						713			7,210
				-	-	-	428	-	6,260
				-	-	-	-	143	5,310
	500	200	1,000	1,426	-	-	-	-	10,420
				-	998	-	-	-	8,993
				-	-	713	-	-	8,043
				-	-	-	428	-	7,093
				-	-	-	-	143	6,143
	750	200	1,000	1,426	-	-	-	-	11,253
					998	-	-	-	9,827
				-	-	713	-	-	8,877
				-	-	-	428	-	7,927
				-	-	-	-	143	6,977
$45,000	250	225	1,000	1,604	-	-	-	-	10,263
					1,123	-	-	-	8,660
				-	-	802	-	-	7,590
				-	-	-	481	-	6,520
				-	-	-	-	160	5,450
	500	225	1,000	1,604	-	-	-	-	11,097
				-	1,123	-	-	-	9,493
				-	-	802	-	-	8,423
				-	-	-	481	-	7,353
				-	-	-	-	160	6,283
	750	225	1,000	1,604	-	-	-	-	11,930
				-	1,123	-	-	-	10,327
				-	-	802	-	-	9,257
				-	-	-	481	-	8,187
				-	-	-	-	160	7,117
$50,000	250	250	1,000	1,782	-	-	-	-	10,940
				-	1,247	-	-	-	9,157
				-	-	891	-	-	7,970
				-	-	-	535	-	6,783
				-	-	-	-	178	5,593
	500	200	1,000	1,782	-	-	-	-	11,773
				-	1,247	-	-	-	9,990
				-	-	891	-	-	8,803
				-	-	-	535	-	7,617
				-	-	-	-	178	6,427
	750	250	1,000	1,782	-	-	-	-	12,607
				-	1,247	-	-	-	10,823
				-	-	891	-	-	9,637
				-	-	-	535	-	8,450
				-	-	-	-	178	7,260

(a) at 1% interest for 38 years.
(b) at 30% deferred, borrower pays 70% of full payment at 1% interest.
(c) at 30% of adjusted income for shelter costs, including utilities.

TABLE II

First Year Subsidy for Section 502 Deferred Loan Program and Section 515/Rental Assistance

		50% Deferred Pay. Mortgage	515
1.	Loan Size	$38,777(1)*	$35,591(2)
2.	Cost of Money to Government	10.5%	10.5%
3.	Required PI Payment @ 10.5%	4,165(3)	3,763(4)
4.	Required PI Payment @ 1%	1,232(3)	908(4)
5.	Maximum Interest Credit Subsidy	2,933	2,855
6.	Mortgage Payment @ 1%/w 50% Deferred (50% x #4)	616	N/A
7.	Taxes and Insurance	550	N/A
8.	Maintenance and Utilities	1,000	N/A
9.	PITIUM(5)/w 50% Mtge. Deferred (#6+#7+#8)	2,166	N/A
10.	Required Income @ 30% for PITIUM	7,220	N/A
11.	Identical Income for Tenant		7,220(6)
12.	Additional Subsidy (Required Payment @ 1% minus #6)	616	
13.	Total First Year Subsidy	3,549	
14.	Basic Rent (PITIUM & Operating)		3,972(7)
15.	Payment @ 30% of Income		2,166
16.	Rental Assistance (#14 minus #15)		1,806
17.	Total First Year Subsidy	$3,549	$4,661

(1) Average 502 loan in FY 1983.

(2) See Appendix A - Calculations to establish average cost and rentals, including utilities, for 1983 three-bedroom 515 units.

(3) Amortized over 38 years.

(4) Amortized over 50 years.

(5) PITIUM = Payments for principal, interest, taxes, insurance, utilities and maintenance.

(6) Purpose is to compare cost for households with the same adjusted incomes.

(7) See Appendix A

(8) From HAC study, "A Home of Our Own". A five-year study of 900 Section 502 loans made in 1981. Also see Appendix B.

NATIONAL AMERICAN INDIAN HOUSING COUNCIL
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September 5, 1989

The Hon. Terry Sanford
Room SH-716
United States Senate
Washington, D. C. 20510

Dear Senator Sanford,

Thank you for inviting me to testify on Senate Bill S.1371, the "Rural Housing Revitalization Act of 1989." My name is Virginia Spencer, and I am Executive Director of the National American Indian Housing Council (NAIHC). NAIHC is a fifteen year old association of Indian houisng authorities (IHAs). Indian housing authorities develop and manage housing units financed under the Department of Housing and Urban Development's Indian Housing Programs. In some cases, IHAs are also responsible for the administration of additional housing programs on the reservation or in other Indian areas.

The need for housing assistance to American Indians and Alaska Natives is great. In 1988, the Bureau of Indian Affairs undertook a survey of 186,000 Indian households that were located in Indian areas across the United States. The survey determined that 98,781 new or rehabiltated homes were needed for Indians to have standard housing. This is over half of the Indian population living in substandard homes!

This Bill (S. 1371) provides support for housing assistance that will benefit many Indian people in rural areas. The outreach to underserved areas and the amendment to Farmers Home Administration (FmHA) leases on trust land will be particularly helpful. Over the past five years, less than one-half of one percent of FmHA's 502 and 504 loans went to Indians. Obviously, the FmHA delivery system is not reaching Indian country. This Bill should help alleviate some of the need by providing an alternative funding mechanism through FmHA. To date, many tribal people have hesitated at agreeing to FmHA's mortgages on trust land. I believe that the amendment in Section 8 of your Bill would clarify that FmHA rural housing loans would not lead to alienation of trust land.

Senator Sanford, I appreciate the opportunity to provide this short testimony, and I want to thank you for your support of housing assistance for American Indians and Alaska Natives.

Sincerely,

Virginia E. Spencer

Virginia E. Spencer
Executive Director

NORTH CAROLINA
HOUSING FINANCE AGENCY
NCHFA John Crosland, Jr., Chairman A. Robert Kucab, Executive Director

July 24, 1989

The Honorable Terry Sanford
United States Senate
716 Hart Senate Office Building
Washington, DC 20510

Dear Senator Sanford:

Thank you for asking us to comment on your housing bill, the Rural Housing Revitalization Act of 1989.

You and your staff are to be commended for proposing legislation that will help meet the state's rural housing needs, which are among the most intractable problems North Carolina faces. We believe your bill provides a coordinated strategy for improving the rural housing supply by making better use of existing FmHA housing resources, adding program resources targeted to underserved areas, and providing new capacity-building resources to improve program delivery in underserved areas. Each of these ingredients represents an important part of an overall strategy to address rural housing needs.

Beyond general support for your proposed legislation, we offer the following comments on specific sections of the bill.

* DEFERRED PAYMENT LOAN--We agree with the objective of increasing the use of the Section 502 program in areas where it is underutilized. In rural areas even more than in urban areas, homeownership is the accepted standard, even among households of modest means. However, we are not sure that deferring part of the loan principal is the best way to accomplish this objective. Deferring 20% of principal has a relatively small impact on affordability. For example, it lowers the monthly debt service by about $32 on a $50,000 mortgage with a 30-year term. In addition, the ability of very low-income households to afford the carrying costs on a Sec. 502 loan may not be the main reason the funds are underutilized. Other causes may be the inability to afford the prepaids and closing costs, as well as the credit requirements of FmHA underwriting standards, particularly as they apply to common credit problems of very low-income families. Deferring 20% of loan principal will not address these problems.

P.O. Box 28066 Raleigh, NC 27611 Telephone (919) 781-6115

As an alternative, we would like you to consider a lease-purchase approach. Under this approach, the family could lease the home for a period of time (e.g., 3 to 5 years), at the end of which they would have the option to buy. During the lease period the family would have the opportunity to develop a good credit record and a portion of their rental payment could be deposited in an escrow account to be used for the downpayment. This approach could also be used with surplus Sec. 502 inventory instead of, or in addition to, converting Sec. 515 rental housing.

* UNDERSERVED AREAS—If FmHA is to serve these areas adequately with an outreach program, it will be necessary to overcome organizational inertia that is likely to be present. Special training for FmHA staff and administrative money to fund this function will be key ingredients.

We believe that greater reliance on nonprofits will be useful in underserved areas, since for-profit developers are likely to be reluctant to become involved. (This relates to your capacity-building proposal discussed below.) In addition, as an incentive for the private sector to participate, permitting developers a greater return on equity should be considered in these areas.

* CAPACITY-BUILDING GRANT PROGRAM--This is an extremely important component of your bill. If underserved areas are to be better served, alternative developers, including nonprofit organizations and state and local governments, must play an increasingly important role. The profit-motivated sector is not likely to take the lead in these areas, although it will be an important partner once other actors have taken the initiative.

We suggest that market studies, land options and local housing strategies (if required by the National Affordable Housing Act) be included as eligible uses for grant funds. Also, we encourage you to consider including lead regional organizations and public housing agencies among the organizations specifically eligible for grants. Finally, we suggest that production program funds, including the demonstration funds described under public-private partnerships, be reserved for organizations that receive capacity-building grants so these groups can be assured of access to implementation resources once pre-development activities are completed.

* GUARANTEED LOANS--The strength of this proposal, we believe, is that it will help develop a lending network in rural areas and will not have the budget impact of a program appropriation.

* PUBLIC-PRIVATE PARTNERSHIPS—We support this demonstration initiative. In our state, development grants will help nonprofits leverage other funding and use available state resources more effectively, including tax-exempt bond financing and Housing Trust Fund assistance. Funding up to 60% of development costs will provide the level of subsidy needed to reach lower-income households and to attract other project financing. The permanent affordability requirement is an important feature. As we suggested above, we believe that this and other forms of project financing assistance should be linked to the capacity-building program.

We hope these comments are useful to you and your staff. I would be pleased to answer any questions you may have or to go into greater detail on any of the suggestions. We appreciate the work you and your staff are doing to improve housing conditions in rural areas.

Sincerely,

ARKucab

A. Robert Kucab,
Executive Director

cc: Matt Churchill

WARREN COUNTY BOARD OF COMMISSIONERS
LINDA T. JONES, CLERK TO THE BOARD
130 N. MAIN ST.
P.O. BOX 619
WARRENTON, NORTH CAROLINA 27589

July 13, 1989

Eva M. Clayton, Chairperson
George E. Shearin, Sr., V-Chmn.
Francis L. Alston
William T. Skinner
Patsy T. Hargrove

Charles J. Worth
County Manager
(919) 257-3115

Senator Terry Sanford
United States Senate
716 Government Senate Building
Washington, D. C. 20510

Dear Senator Sanford:

I regret that I am unable to attend the field hearing of the Senate Committee on Banking, Housing and Urban Affairs on July 15, 1989 in Elizabeth City, North Carolina. However, I would appreciate having my brief comments read into the record.

Sincerely,

Eva M. Clayton

Eva M. Clayton

EMC/lpt
Attachment

Senator Sanford, distinguished members of the Committee, my name is Eva M. Clayton. I am the Chairperson of the Warren County Board of Commissioners. Warren County is a rural distressed community with serious housing needs. Warren County's demographics reflect its rural nature, its economic status and housing needs. Warren County has a very high percentage of substandard housing units. Based on the 1980 Census Data, 19% of the County's total housing units are substandard. The 1980 Census rated Warren County as the second worst in North Carolina in the lack of plumbing facilities for exclusive use.

Low and moderate income persons in Warren County make up 60% of the total population, an attributing factor to the County's high percentage of substandard housing units. Warren County also has a high population of elderly residents (15%) living on fixed incomes. Overcrowding is also problem faced by many low and moderate income persons. Another factor of our rural nature is that 89% of all persons live outside municipal service limits, which increase the need for affordable standard housing and improved infrastructure to serve low and moderate income residents.

Additionally, I am a Board of Directors member of the Housing Assistance Council (HAC), Washington, D.C., a national non-profit corporation which is committed to improving housing conditions in rural remote areas.

Thank you for providing an opportunity for Warren County to participate and for me to make these brief comments concerning the proposed bill, "Rural Housing Revitalization Act" that Senator Sanford plans to introduce.

I am pleased that this proposed legislation will be introduced because it more poignantly addresses the needs of rural areas such as Warren County than the National Affordable Housing Act, Section VII does alone. Additionally, HAC has consistently called for additional and more flexible resources to address housing in rural areas across America which your proposed bill provides.

There is definitely a need for additional funding for FmHA and your proposal is reasonable.

The other features of the legislation as written all seem a greater advantage to rural community throughout North Carolina over the similar section in the National Affordable Housing Act.

However, there are advantages to having capacity building grant program of Sanford's Bill and project preparation assistance as proposed in the Cranston legislation.

The Deferred Loan Program is an area where HAC has been very active. In fact, this organization proposed this as a Deferred Payment Program earlier.

The concern over this Program is more administrative rather than substance. If the legislation is passed as "deferred loans", it creates significant administrative problems for FmHA. If the loan remains the same and only the payment fluctuates, they can handle it easily, so we are informed.

HAC believe a reduction in the payment of up to 50% is both desirable and warranted by FmHA experience with the Section 502 interest credit program. Borrowers do meet their obligations and over the years do end up paying the market interest rate. We think that will happen with the payment deferral program also. However, Cranston/D'Amato would permit only a 20% deferral. It would allow a 9% reduction in family income to qualify for a 502 loan, while a 50% reduction would permit a 22% reduction in family income. I would recommend that Senator Sanford to change the 20% to a higher percentage.

Finally, the funding formula in both Cranston/D'Amato and Senator Sanford's Bill (10% of the very-low-income money not spent in the previous year would be available for this program) seems to use to be discriminatory. Residents in the states which do the best job in spending their very-low-income allocations are penalized by being denied this new program. The House version of the deferred payment plan (in HR 1180) simply sets aside "Not more than 10 percent of the amount approved...for loans under section 502...to carry out this program." This is the preferred language.

Again, I am encouraged that there is serious consideration and proposing special programs for the underserved areas such as Warren County.

I urge your support for these modifications to your proposed legislation and sincerely congratulate you on the excellent bill.

101st CONGRESS
1st Session

S. 1371

To authorize appropriations for rural housing programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

July 20 (legislative day, January 3), 1989

Mr. Sanford (for himself, Mr. Cranston, Mr. Mitchell, Mr. Burdick, Mr. Rockefeller, Mr. Shelby, Mr. Reid, Mr. Fowler, Mr. Daschle, and Mr. Heflin) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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A BILL

To authorize appropriations for rural housing programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Rural Housing Revitalization Act of 1989".

SEC. 2. AUTHORIZATIONS.

(a) Insurance and Guarantee Authority.—Section 513(a)(1) of the Housing Act of 1949 is amended to read as follows:

"(a)(1) The Secretary may, to the extent approved in appropriation Acts, insure and guarantee loans under this title in aggregate amounts not to exceed $1,976,151,000 during fiscal year 1990 and $2,175,207,000 during fiscal year 1991, as follows:

"(A) For insured or guaranteed loans under section 502 on behalf of borrowers receiving assistance under section 521(a)(1) or receiving guaranteed loans pursuant to section 304 of the Housing and Community Development Act of 1987, $1,328,650,000 for fiscal year 1990 and $1,433,650,000 for fiscal year 1991.

"(B) For loans under section 504, $11,790,000 for fiscal year 1990 and $12,300,000 for fiscal year 1991.

"(C) For insured loans under section 514, $11,950,000 for fiscal year 1990 and $12,470,000 for fiscal year 1991.

"(D) For insured loans under section 515, $622,650,000 for fiscal year 1990 and $715,624,000 for fiscal year 1991.

"(E) For loans under section 523(b)(1)(B), $521,000 for fiscal year 1990 and $543,000 for fiscal year 1991.

"(F) For site loans under section 524, $590,000 for fiscal year 1990 and $620,000 for fiscal year 1991.".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 513(b) of the Housing Act of 1949 is amended to read as follows:

"(b) There are authorized to be appropriated, to remain available until expended, the following amounts:

"(1) For grants under section 504, $13,013,000 for fiscal year 1990 and $13,575,000 for fiscal year 1991.

"(2) For purposes of section 509(c), $521,000 for fiscal year 1990 and $543,000 for fiscal year 1991.

"(3) Such sums as may be necessary to meet payments on notes or other obligations issued by the Secretary under section 511 equal to—

"(A) the aggregate of the contributions made by the Secretary in the form of credits on principal due on loans made pursuant to section 503; and

"(B) the interest due on a similar sum represented by notes or other obligations issued by the Secretary.

"(4) For financial assistance under section 516, $14,903,000 for fiscal year 1990 and $24,903,000 for fiscal year 1991.

"(5) For grants under section 523(f), $8,328,000 for fiscal year 1990 and $8,688,000 for fiscal year 1991.

"(6) For grants under section 533, $29,925,000 for fiscal year 1990 and $44,925,000 for fiscal year 1991.".

(c) RENTAL ASSISTANCE PAYMENT CONTRACTS.—Section 513(c)(1) of the Housing Act of 1949 is amended to read as follows:

"(c)(1) The Secretary, to the extent approved in appropriation Acts, may enter into rental assistance payment contracts under section 521(a)(2)(A) aggregating $306,600,000 for fiscal year 1990 and $351,600,000 for fiscal year 1991.".

(d) RENTAL HOUSING LOAN AUTHORITY.—Section 515(b)(4) of the Housing Act of 1949 is amended by striking "September 30, 1989" and inserting "September 30, 1991".

(e) MUTUAL AND SELF-HELP HOUSING GRANT AND LOAN AUTHORITY.—Section 523(f) of the Housing Act of 1949 is amended by striking "September 30, 1989" and inserting "September 30, 1991".

SEC. 3. SECTION 502 DEFERRED REPAYMENT.

Section 502 of the Housing Act of 1949 is amended by adding at the end thereof the following:

"(f) AUTHORITY FOR DEFERRED REPAYMENT.—

"(1) IN GENERAL.—The Secretary may allow a borrower to defer repayment of not more than 20 percent of the principal on a loan made or insured under this section if the Secretary determines that—

"(A) the borrower resides in a State in which an average of 10 percent or more of the set-asides established in section 502(d) have not been obligated since November 30, 1983;

"(B) the deferral is necessary to enable the borrower to afford payment on the loan; and

"(C) the borrower can reasonably be expected fully to amortize the deferred principal over the remaining life of the loan.

"(2) SUBSEQUENT ADJUSTMENTS.—When the Secretary finds that a borrower deferring repayments under this subsection is able to make an increased mortgage payment in accordance with the schedules and repayment plans prescribed by the Secretary under section 502(b)(2), the Secretary shall first apply any increase in the monthly mortgage payment to repayment of deferred principal and interest on that principal and then, when the deferral is eliminated, to an increase in the interest rate payable on the loan.

"(3) INTEREST ON DEFERRED PRINCIPAL.—Interest on the deferred principal shall remain at 1 percent until the deferral has been repaid in full.".

SEC. 4. HOUSING IN UNDERSERVED AREAS.

Section 509 of the Housing Act of 1949 is amended by adding at the end thereof the following:

"(e) HOUSING IN UNDERSERVED AREAS.—

"(1) DESIGNATION OF UNDERSERVED AREA.—The Secretary shall designate as targeted underserved areas 60 counties and communities in fiscal year 1990, and 100 counties and communities in fiscal year 1991 that have severe, unmet housing needs as determined by the Secretary. A county or community shall be eligible for designation if, during the 10-year period preceding the year in which the designation is made, it has received an average annual amount of assistance under this title that is substantially lower than the average annual amount of such assistance received during that 10-year period by other counties and communities in the State that are eligible for such assistance calculated on a per capita basis, and has—

"(A) 20 percent or more of its population at or below the poverty level; and

"(B) 10 percent or more of its population in substandard housing.

As used in this paragraph, the term 'poverty level' has the same meaning as in section 102(a)(9) of the Housing and Community Development Act of 1974.

"(2) OUTREACH PROGRAM.—The Secretary shall publicize the availability to targeted underserved areas of grants and loans under this title and promote, to the maximum extent feasible, efforts to apply for those grants and loans for housing in targeted underserved areas.

"(3) SET-ASIDE FOR TARGETED UNDERSERVED AREAS.—The Secretary shall set aside and reserve for assistance in targeted underserved areas an amount equal to 2 percent in 1990 and 4 percent in fiscal 1991 of the aggregate amount of lending authority under sections 502, 504, 514, 515, and 524. During each such fiscal year, the Secretary shall set aside an amount of section 521 rental assistance that is appropriate to provide assistance with respect to the lending authority under sections 514 and 515 that is set aside for such fiscal year. Any assistance set aside for targeted underserved areas that has not been expended by September 1 of a fiscal year shall be reallocated to other counties and communities that meet the requirements of targeted underserved areas set forth in paragraph (1).

"(4) LIST OF UNDERSERVED AREAS.—The Secretary shall publish the current list of targeted underserved areas in the Federal Register.

"(5) CAPACITY BUILDING GRANTS.—

"(A) IN GENERAL.—The Secretary is authorized to provide grants for counties and communities located in under served areas for the development of housing assistance capacity. A grant may be made under this paragraph to a community organization, a nonprofit organization or corporation, a unit of general local government, a State or local agency, or a State government.

"(B) PURPOSES.—A grant under this section may be used for technical and administrative costs related to housing development including the preparation of applications for housing assistance, planning and site preparation, staff training, recruitment and counseling of eligible tenants, administrative activities, and other necessary or appropriate activities as determined by the Secretary. Any grant under this paragraph may be used only for housing assistance capacity efforts within the targeted underserved area.

"(C) AUTHORIZATION.—There are authorized to be appropriated to carry out this paragraph not to exceed $10,000,000 for fiscal year 1990 and $10,000,000 for fiscal year 1991. Any funds so appropriated shall remain available until expended.".

SEC. 5. GUARANTEED LOANS FOR HOUSING ACQUISITION AND REHABILITATION.

(a) IN GENERAL.—Section 502 of the Housing Act of 1949 (42 U.S.C. 1483) is amended by adding at the end the following new subsections:

"(h) GUARANTEED LOANS.—

"(1) AUTHORITY.—The Secretary shall, to the extent provided in appropriation Acts, provide guaranteed loans in accordance with this section, section 517(d), and the last sentence of section 521(a)(1)(A), except as modified by the provisions of this subsection. Loans shall be guaranteed under this subsection in an amount equal to 90 percent of the loan.

"(2) ELIGIBLE BORROWERS.—Loans guaranteed pursuant to this subsection shall be made only to borrowers with moderate incomes that do not exceed the median income of the area, as determined by the Secretary, and who have paid, in connection with the purchase, not more than the maximum downpayment that would be required if the loan were insured under section 203(b)(2) of the National Housing Act.

"(3) ELIGIBLE HOUSING.—Loans may be guaranteed pursuant to this subsection only if the loan is used to acquire or construct a single-family residence that is—

"(A) to be used as the principal residence of the borrower;

"(B) eligible for assistance under this section, section 203(b) of the National Housing Act, or chapter 37 of title 38, United States Code; and

"(C) located in a rural area, or any area or small town that has a serious lack of mortgage credit for low and moderate-income families (as determined by the Secretary) that is more than 25 miles from an urban area or densely populated area.

"(4) PRIORITY AND COUNSELING FOR FIRST-TIME HOMEBUYERS.—

"(A) In providing guaranteed loans under this subsection, the Secretary shall give priority to first-time homebuyers (as defined in paragraph (12)(A)).

"(B) The Secretary may require that, as a condition of receiving a guaranteed loan pursuant to this subsection, a borrower who is a first-time homebuyer successfully complete a program of homeownership counseling under section 106(a)(1)(iii) of the Housing and Urban Development Act of 1968 and obtain certification from the provider of the program that the borrower is adequately prepared for the obligations of homeownership.

"(5) ELIGIBLE LENDERS.—Guaranteed loans pursuant to this subsection may be made only by lenders approved by and meeting qualifications established by the Secretary.

"(6) LOAN TERMS.—Loans guaranteed pursuant to this subsection shall—

"(A) be made for a term not to exceed 30 years;

"(B) involve a rate of interest that is fixed over the term of the loan and does not exceed the rate for loans guaranteed under chapter 37 of title 38, United States Code, or comparable loans in the area that are not guaranteed; and

"(C) involve a principal obligation (including initial service charges, appraisal, inspection, and other fees as the Secretary may approve)—

"(i) for a first-time homebuyer, in any amount not in excess of 90 percent of the appraised value of the property as of the date the loan is accepted or the acquisition cost of the property, whichever is less, subject to the maximum dollar limitation of section 203(b)(2) of the National Housing Act; and

"(ii) for any borrower other than a first-time homebuyer, in an amount not in excess of the percentage of the property or the acquisition cost of the property that the Secretary shall determine, subject to the maximum dollar limitation of section 203(b)(2) of the National Housing Act, such percentage or cost in any event not to exceed 90 percent of the appraised value of the property as of the date the loan is accepted or the acquisition cost of the property, whichever is less.

"(7) GUARANTEE FEE.—With respect to a guaranteed loan under this subsection, the Secretary may collect from the lender at the time of issuance of the guarantee a fee equal to not more than 1 percent of the principal obligation of the loan.

"(8) Refinancing.—Any guaranteed loan under this subsection may be refinanced and extended in accordance with terms and conditions that the Secretary shall prescribe, but in no event for an additional amount or term which exceeds the limitations under this subsection.

"(9) Nonassumption.—Notwithstanding the transfer of property for which a guaranteed loan under this subsection was made, the borrower of a guaranteed loan under this subsection may not be relieved of liability with respect to the loan.

"(10) Geographical targeting.—In providing guaranteed loans under this subsection, the Secretary shall establish standards to target and give priority to areas that have a demonstrated need for additional sources of mortgage financing for low- and moderate-income families.

"(11) Allocation.—The Secretary shall provide that, in each fiscal year, guaranteed loans under this subsection shall be allocated among the States on the basis of the need of eligible borrowers in each State for such loans in comparison with the need of eligible borrowers for such loans among all States.

"(12) Definitions.—For purposes of this subsection—

"(A) the term 'first-time homebuyer' means any individual who (and whose spouse) has had no present ownership in a principal residence during the three-year period ending on the date of purchase of the property acquired with a guaranteed loan under this subsection; and

"(B) the term 'State' means the States of the United States, the Commonwealth of Puerto Rico, the District of Columbia, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, the Trust Territories of the Pacific, and any other possession of the United States.

"(i) GUARANTEED LOANS FOR HOUSING REHABILITATION.—

"(1) IN GENERAL.—The Secretary shall provide guaranteed loans for housing rehabilitation according to the provisions of subsection (h), except as modified by the provisions of this subsection.

"(2) DEFINITION OF HOUSING REHABILITATION.—For purposes of this subsection, the term 'housing rehabilitation' means the improvement (including improvements designed to meet the cost-effective energy conservation standards prescribed by the Secretary), repair, rehabilitation, or preservation of existing one- to four-unit structures that will be used primarily for residential purposes, or facilities in connection with such structures.

"(3) Cost limitations.—Loans guaranteed pursuant to this subsection shall involve a principal obligation that does not exceed the applicable maximum dollar limitation of section 203(b)(2) of the National Housing Act for the type of residence involved. The costs of housing rehabilitation financed by a guaranteed loan pursuant to this subsection may not exceed the costs of providing newly constructed housing comparable to the housing rehabilitated.

"(4) Geographical targeting.—In providing guaranteed loans under this subsection, the Secretary shall establish standards to target and give priority to areas that have a demonstrated need for rehabilitation of existing housing for residential purposes.".

(b) Conforming Amendments.—The first sentence of section 106(a)(2) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(a)(2)) is amended—

(1) by inserting "(A)" after "Secretary"; and

(2) by striking "Act and" and inserting the following: "Act; (B) shall, in consultation with the Secretary of Agriculture, provide such services for borrowers who are first-time homebuyers with guaranteed loans

under section 502(h) of the Housing Act of 1949; and (C)".

(c) TECHNICAL ASSISTANCE PROGRAM.—

(1) IN GENERAL.—The Secretary of Agriculture shall carry out a program to provide technical assistance, information, education, training, and outreach, to assist prospective borrowers, realtors, and mortgage lenders, as applicable, to participate effectively in the guaranteed loan program carried out pursuant to the amendments made by this section.

(2) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out this subsection.

(d) REGULATIONS AND IMPLEMENTATION.—

(1) PROPOSED REGULATIONS AND COMMENT PERIOD.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Agriculture shall publish in the Federal Register proposed regulations to implement the amendments made by this section. The Secretary shall receive comments regarding the regulations during the 30-day period beginning on the date of the publication of the proposed regulations.

(2) IMPLEMENTATION.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Agriculture shall issue final regulations to im-

plement the amendments made by this section. The Secretary shall provide for the regulations to take effect not later than 30 days after the date on which the regulations are issued.

(3) APPLICABILITY.—The amendments made by this section shall not apply to guaranteed loans under title V of the Housing Act of 1949 made before the date on which the final regulations issued by the Secretary under paragraph (2) take effect.

(4) CONSULTATION.—In developing and promulgating the regulations under paragraphs (1) and (2), the Secretary of Agriculture shall solicit the views of borrowers, lenders, realtors, nonprofit organizations, and homebuilders experienced and knowledgeable regarding housing in rural areas to provide that the regulations promulgated ensure that guaranteed loans pursuant to the amendments made by this section—

(A) are made in a manner that is cost-effective; and

(B) are made in a manner that reduces, to the extent practicable, the burden of administration and paperwork for borrowers and lenders.

SEC. 6. PUBLIC-PRIVATE PARTNERSHIPS.

Title V of the Housing Act of 1949 is amended by adding at the end thereof the following:

"SEC. 536. PUBLIC-PRIVATE PARTNERSHIPS.

"(a) IN GENERAL.—The Secretary is authorized to make grants to nonprofit organizations to demonstrate the effectiveness of public-private partnerships for the development of housing for low-income rural residents.

"(b) ACTIVITIES AUTHORIZED.—Grants to nonprofit organizations shall be used to encourage the formation of partnerships with private sector entities including private investors, local financial institutions, as well as State and local governments, to develop low-income housing. Grants authorized under this section shall be available to finance up to 60 percent of the cost of planning and financing the acquisition, construction, or rehabilitation of rental housing and related facilities. The commitment of the Secretary may be used to attract the participation of private sector entities in conjunction with tax credit financing or loans or other assistance from State housing finance agencies or other private sector entities.

"(c) ELIGIBILITY REQUIREMENTS.—To be eligible for assistance under this section, a nonprofit organization must be determined by the Secretary to be—

"(1) experienced in the development and management of low-income rural housing and qualified to carry out a demonstration program; and

"(2) engaged in working relationships with those entities necessary to invest in a public-private demonstration project, or capable of developing relationships with such entities.

"(d) GRANT APPLICATION REQUIREMENTS.—Each application must include the following information:

"(1) A physical description of the proposed project including design, location, and number of units.

"(2) A statement of the anticipated use of grant funds.

"(3) A list of sources and amounts of anticipated funding for the proposed project.

"(4) A budget for financing the proposed project.

"(e) GRANT APPLICATION CRITERIA.—The Secretary shall not approve grant applications under his section unless it is established that—

"(1) the area to be served has sufficient need for low-income housing; and

"(2) the project proposed by the qualified nonprofit organization will be modest in design and construction, and affordable for the life of the project to low-income households.

"(f) TERM OF GRANT COMMITMENT.—A grant commitment made by the Secretary shall remain in effect for not more than 18 months after its issuance and may be extended by the Secretary.

"(g) AUTHORIZATION.—There are authorized to be appropriated to carry out this section such sums as may be necessary for fiscal year 1990 and $20,000,000 for fiscal year 1991.".

SEC. 7. HOUSING PRESERVATION GRANTS.

(a) USE OF DEOBLIGATED FUNDS.—Section 533(c)(1) of the Housing Act of 1949 is amended by adding at the end the following: "Funds obligated, but subsequently unspent and deobligated, may remain available for use as housing preservation grants in ensuing fiscal years.".

(b) REALLOCATION.—Section 533(g) of the Housing Act of 1949 is amended by striking the last sentence and inserting the following: "Any amounts which become available as a result of actions under this subsection shall be reallocated as housing preservation grants to such grantee or grantees as the Secretary may determine.".

SEC. 8. INDIAN HOUSING.

Section 509 of title V of the Housing Act of 1949 is amended—

(1) by redesignating subsection (d) as subsection (e); and

(2) by inserting after subsection (c) the following:

"(d) The Secretary shall, in the event of default involving a security interest in tribal allotted or trust land, only pursue liquidation after offering to transfer the account to an eligible tribal member, the tribe, or an Indian housing authority. If the Secretary subsequently proceeds to liquidate the account, the Secretary shall not sell, transfer, or otherwise dispose or alienate the property except to the aforementioned entities.".

SEC. 9. TRANSFER OF SECTION 502 INVENTORY FOR USE UNDER SECTION 515.

Section 510(e)(3) of the Housing Act of 1949 is amended—

(1) by striking "or" between "private nonprofit organizations" and "public bodies" and inserting a comma; and

(2) by inserting ", or for profit entities, which have good records of providing low-income housing under section 515" after "public bodies".

July 20, 1989

RURAL HOUSING REVITALIZATION ACT
Draft Summary

In General

The Rural Housing Revitalization Act will build upon and expand the rural component of the National Affordable Housing Act.

The Sanford bill will:

A. Reauthorize existing FmHA programs at increased funding levels.

B. Retain the deferred mortgage program contained in the National Affordable Housing Act.

C. Set aside FmHA loans for use in communities with high concentrations of poverty and substandard housing that have been underserved by FmHA. The Sanford bill expands the set aside included in the National Affordable Housing Act.

D. Authorize a grant program to develop housing assistance capacity in underserved rural areas.

E. Authorize a guaranteed loan program to assist low and moderate income households who live in rural areas that demonstrate a severe lack of mortgage credit.

F. Authorize a demonstration program to provide FmHA grants to non-profit organizations to develop public/private partnerships for low income rental housing.

G. Allow for profit entities to convert 502 inventory properties to Section 515 rental housing.

H. Make two technical amendments to current FmHA housing programs.

Reauthorize Existing FmHA Programs

The Act will extend the authorization for FmHA grant and loan programs for two years.

-- In FY 1990, all programs will receive an adjustment for inflation established by the CBO baseline. The Act will also include an additional $100 million for rural housing programs.

-- In FY 1991, the Act will increase funding for FmHA rural housing programs by $300 million.

Deferred Loans

The Act will authorize FmHA to defer the repayment of up to 20 percent of the principal on Section 502 loans to very-low-income families in states where an average of 10 percent or more of the 40 percent very-low-income set aside of Section 502 funds has not been obligated since November 30, 1983.

The total amount of deferred mortgages in a state will not exceed the state's unused Section 502 set aside for very-low-income families from the previous year.

Partially deferred loans will be available only to very-low-income families that:

-- are unable to afford a Section 502 loan at 1 percent interest (the deepest current subsidy); and

-- can be reasonably expected to amortize the loan.

As the borrower's repayment ability improves, the monthly loan payment would be increased to pay first for the principle and then to reduce interest subsidies.

Underserved Areas

The Act will require the Secretary to designate 60 counties and communities in FY 1990 and 100 counties in FY 1991 as underserved areas.

Qualified underserved areas must:

-- be severely in need of housing assistance (as indicated by poverty rates at or above 20% and substandard housing rates at or above 10%); and

-- have received a low per capita share of FmHA housing assistance over the previous ten years relative to the assistance received by comparable areas.

The Act will require FmHA to conduct an outreach program to these underserved areas.

The Act will set aside FmHA loan authority under the Section 502, 504, 514, 515, and Section 524 loan programs for use in underserved areas. The set aside will be 2% in FY 1990 and 4% in FY 1991.

Capacity Building Grant Program

The Act will authorize a grant program within FmHA to provide grants to designated underserved counties and communities for the development of housing assistance capacity.

Community organizations, non-profit organizations, and state and local governments will be eligible for the grants.

The grants may be used for technical and administrative costs related to housing development including the preparation of applications for housing assistance, planning and site preparation, staff training, recruitment and counseling of eligible tenants, administrative activities, and other necessary activities as determined by the Secretary.

The Act will authorize $10 million in FY 1990 and $10 million in FY 1991 for capacity building grants.

Guaranteed Loans for Housing Acquisition and Rehabilitation

The Act will authorize FmHA to provide loan guarantees for low-and moderate income borrowers for the purpose of acquiring or constructing a single family residence. Loan guarantees will also be provided for housing repair and rehabilitation of substandard housing for occupancy by low- and moderate-income households. Loan guarantees will be limited to an amount equal to 90 percent of the loan.

Eligible borrowers shall have incomes that do not exceed 100% of area median.

Downpayments will be limited to the maximum amount allowable under Section 203(b)(2) of the National Housing Act (3% for the first $25,000 and 5% for the remainder).

Eligible single family residences must:

-- be used as the principal residence of the borrower;

-- meet the maximum mortgage amount permitted under Section 203(b) of the National Housing Act ($67,500 - $101,250).

-- be located in a FmHA defined rural area or small town that has a serious lack of mortgage credit for low and moderate-income families.

Priority for guaranteed loans shall be given to first-time homebuyers. The Secretary may require first-time homebuyers to successfully complete a program of homeownership counseling.

Loan guarantees must be for a maximum term of 30 years at a fixed interest rate that does not exceed the Veterans Administration Loan Guarantee Rate or a comparable rate for the area.

Guaranteed Loans will be made by FmHA approved lenders. A 1% loan guarantee fee will be charged to lenders by FmHA to offset any loan losses incurred and to be deposited in the Rural Housing Loan Guarantee Fund.

The Secretary shall allocate guaranteed loans on the basis of the need of eligible borrowers in each State for such loans in comparison with the need of eligible borrowers for such loans among all States.

The Act requires the Secretary to carry out a technical assistance, information, education, and outreach program to assist prospective borrowers, realtors, and mortgage lenders to participate in the guaranteed loan program.

The Act authorizes such sums as may be necessary to carry out the program.

Private-Public Partnerships

The Act will authorize a demonstration program within FmHA to provide grants to eligible non-profit organizations to encourage public-private partnerships for the development of low-income rental housing.

Assistance under this program shall be used to finance a portion (up to 60%) of the development costs of rental housing.

The commitment of FmHA to a project may be used to attract the participation of private investors in conjunction with tax credit financing or loans or other assistance from State housing finance agencies or local financial institutions.

Projects financed under this program shall remain permanently affordable over the life of the project.

The Act will authorize such sums as may be necessary for FY 1990 and $20,000,000 for FY 1991.

Transfer of Section 502 Inventory

The Act will also allow for profit entities to convert Section 502 single-family housing inventory properties to Section 515 rental housng.

Technical Amendments

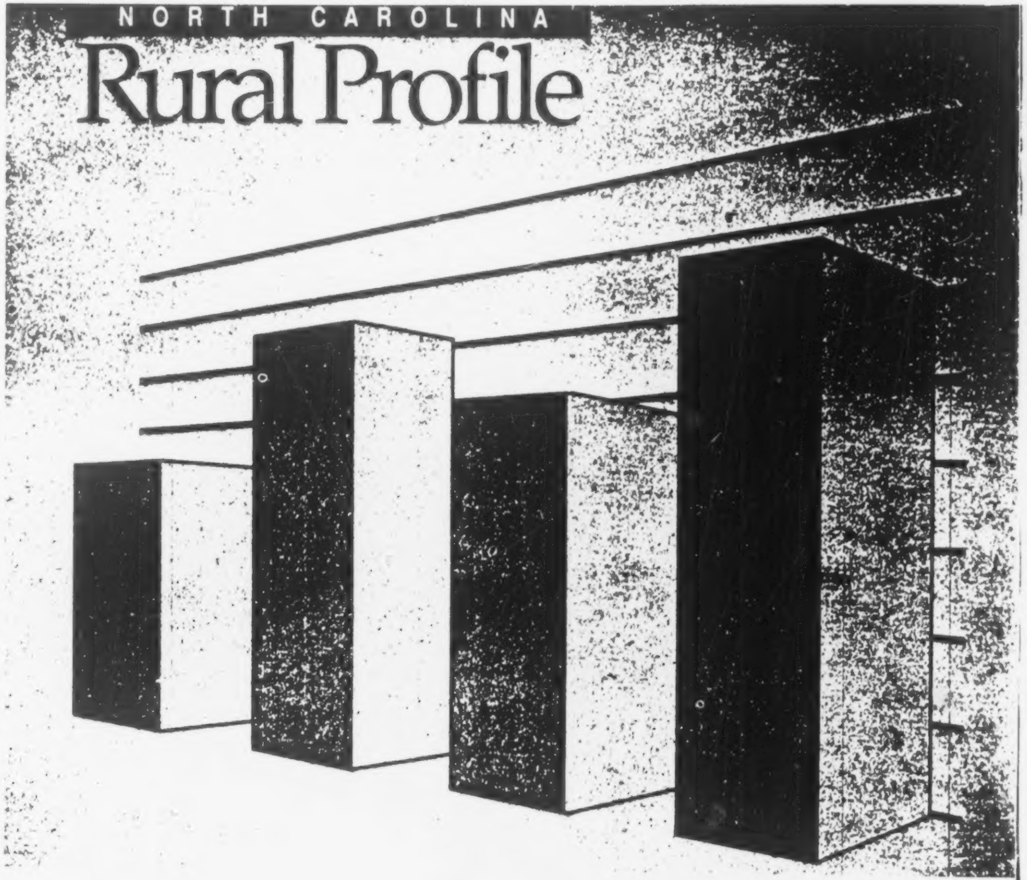
The Act will authorize two technical amendments to FmHA programs.

1. Housing Preservation Grant Amendment

The Act will authorize the Secretary to retain Section 533 Housing Preservation Grant funds that have been obligated but subsequently unspent and deobligated in a given fiscal year. The Secretary will be given the authority to reobligate these funds in the subsequent fiscal year.

2. Indian Housing Amendment

The Act will require the Secretary, in the event of default involving a security interest in tribal allotted or trust land, to only pursue liquidation after offering to transfer the account to an eligible tribal member, the tribe, or an Indian housing authority.



NORTH CAROLINA

Rural Profile

A Look
at Social and
Economic Trends
Affecting Rural
North Carolina

November, 1988

Produced by
The North Carolina
Rural Economic
Development Center
&
The North Carolina
State University
Department of
Sociology,
Anthropology
and Social Work

North Carolina Rural Economic Development Center

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The North Carolina Rural Economic Development Center is a private, non-profit corporation whose mission is to stimulate economic growth and job creation in the state's rural areas. The center is funded by both public and private sources and is governed by a 43-member board of directors.
Center headquarters are located at 116 North Person Street, Raleigh, NC 27601. Telephone: (919) 821-1154. Persons wishing to reproduce all or parts of the publication are requested to obtain written permission from the center.

Dear Friend:

The mission of the North Carolina Rural Economic Development Center is to develop new strategies and policies for creating jobs and stimulating economic activity in North Carolina's rural areas. Because good policy is based on accurate information, a critical part of that mission is to increase the quantity and quality of information about rural people and places.

In September 1987, the Rural Center began a collaborative effort with the faculty in the Department of Sociology, Anthropology and Social Work at North Carolina State University to pull together social and economic information relevant to rural North Carolina. Dr. William Clifford and Dr. Stephen Lilley directed the project. Sara Curran and Karen Dawes conducted the research, with research assistance provided by William Allen.

This report introduces and describes the information about North Carolina's counties housed in the resulting data base. While not intended to be a comprehensive assessment of conditions in rural areas, the report provides a glimpse of some of the trends shaping the present — and the future — of rural North Carolina.

The NCSU data base, which contains more extensive information, is available in computer-readable form from the Rural Center upon request.

The information in this report reaffirms our concern over conditions in rural North Carolina and our commitment to developing policies that help solve rural problems. As long as one in five people lives in poverty in parts of rural North Carolina, we must continue to strengthen and diversify our rural economy.

Billy Ray Hall

Billy Ray Hall
President

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Highlights

Considerable economic and social differences exist between rural and urban areas — and, in many cases, the discrepancies are growing.

The North Carolina Rural Economic Development Center, in cooperation with the Department of Sociology, Anthropology and Social Work at North Carolina State University, has prepared a new 100-county data base to assist those seeking to understand and improve conditions in rural North Carolina.

This report drawn from that data base, suggests that considerable economic and social differences exist between rural and urban areas in North Carolina — and that, in many cases, the discrepancies are growing. Several patterns emerge persistently through the data.

- Both statewide and regionally, social and economic conditions in urban areas are generally better than those for rural areas. Urban areas have lower levels of unemployment, are experiencing faster growth in employment and have higher levels of per capita income. Rural areas lag behind urban areas in educational attainment, access to health care, and quality of housing. Poverty is more prominent in rural areas.

- Most social and economic indicators for the Piedmont region are far better than the state average, while indicators for the Coastal Plain region are much worse than the state average. Indicators for the Mountain and Tidewater regions show tremendous diversity, but generally fall between the Piedmont and Coastal Plain extremes.

This report reinforces that many rural North Carolinians are currently missing out on the growth and prosperity enjoyed by the state as a whole, and will continue to lag behind unless trends are reversed.

In Rural North Carolina* . . .

Unemployment is 44 percent higher.

The proportion of population in poverty is 60 percent higher.

Per capita income is 22 percent lower.

Job growth is 36 percent slower.

The proportion of population with less than a 9th grade education is 48 percent higher.

Local educational expenditures per pupil are 35 percent lower.

The proportion of elderly is 23 percent higher.

The proportion of [illegible] overcrowded [illegible]

[illegible]

Introduction

North Carolina's citizens have become increasingly aware that structural transitions occurring in the Southern economy have had severe impacts on the state's rural areas. In the past few decades, the long-isolated economy of the rural South has become closely tied with national and global economies and the nature of jobs available to people in rural areas continues to change.

Two trends are particularly important. First, as a result of increasing international competition, manufacturing firms in the United States are upgrading their technology thus changing the type of skills and education necessary for these jobs. Secondly, improved agricultural production methods overseas are increasing international competition for agricultural commodities.

In this state, the impact of these trends is obvious: urban areas — with their well trained workforce, access to capital and services, and advanced highway, telecommunications and water and sewer systems — have experienced unprecedented growth. Rural areas, however, have grown at a much slower pace — or not at all.

In order to examine some of the consequences of these economic transitions on the people that live in rural North Carolina, the North Carolina Rural Economic Development Center, in cooperation with the Department of Sociology, Anthropology and Social Work at North Carolina State University, has undertaken the development of a new 100-county data base.

This report introduces the new data base. A quantitative examination of economic and social conditions across the state, it uses information gathered from public sources to profile rural and urban areas. This approach is designed to assess the current situation and to provide a glimpse of the future when possible.

By providing information for the public and for decision-makers, such information can help structure policies and programs to address the distinct problems facing rural areas.

Explanation of Data Base and Report Format

This study uses objective measures to compare social and economic conditions in rural and urban areas across North Carolina. Indicators in four categories — demographic, economic, education, and health & housing — were chosen based on an extensive literature review, interviews with state government and academic authorities and a review of available data sources. Each of the four categories is presented separately in this report.

Each category is designed to highlight significant differences between rural and urban areas as indicated by the data. For this purpose, two basic distinctions are made in the report to classify counties: **metropolitan or nonmetropolitan** (by federally designated Metropolitan Statistical Areas) and **geographic regions**. Because indicators in the report, like most government indicators, define the county as the unit of analysis, the two distinctions made in this report to classify areas also use the county as the unit of analysis.

The metropolitan/nonmetropolitan classification distinguishes predominantly rural from urban counties. The distinction is based on federally-designated Metropolitan Statistical Areas (MSAs). Essentially, an MSA is composed of 1) a nucleus county with a city of at least 50,000 inhabitants; and 2) surrounding counties where most of the labor force is employed in non-agricultural jobs, and at least 30 percent of the workers are employed in the nucleus county. All other counties are nonmetropolitan.

The metro/nonmetro classification is not the same as the traditional rural/urban distinction. There are counties that seem to be rural, such as Stokes, that are included in an MSA. And some counties that appear urban, such as Pitt, are not in an MSA. However, the metro/nonmetro distinction does differentiate predominantly urban from rural counties.

Introduction

Please Note . . .

The complete 100-county data base is available upon request for use on personal computer. See page 20 for more information.

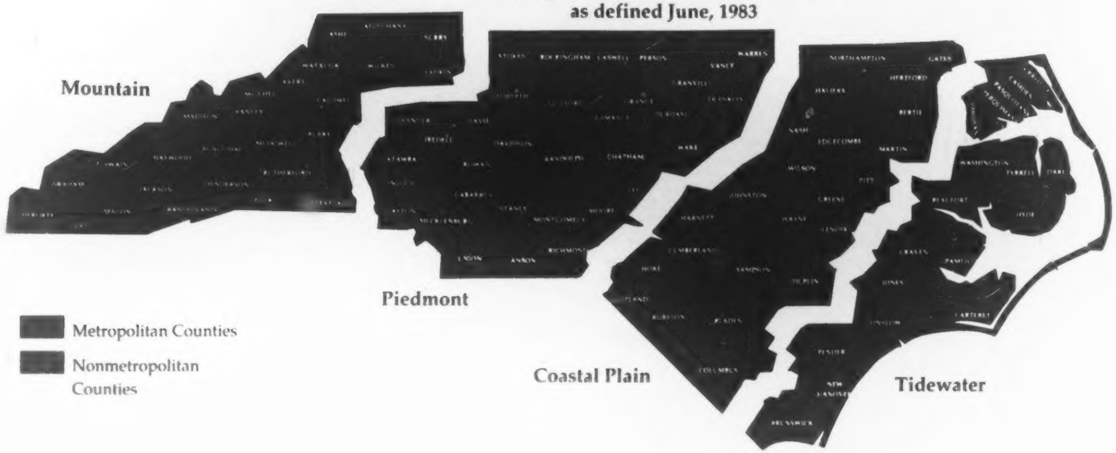
Another way to classify rural and urban areas is by geographic region. The most distinctive regional differences in North Carolina are found in the geographic divisions known as the Tidewater, Coastal Plain, Piedmont and Mountain regions. The Tidewater, Coastal Plain and Mountain regions are considered more rural than the Piedmont region. The Piedmont region contains 19 metropolitan counties and 15 nonmetropolitan counties. The Coastal Plain region has one metropolitan county and 22 nonmetropolitan counties, the Mountain region has three metropolitan counties and 22 nonmetropolitan counties, and the Tidewater region has two metropolitan counties and 16 nonmetropolitan counties. Both metro/nonmetro and regional classifications are shown on the map below.

Together, the metro/nonmetro and regional analyses provide a sound basis for comparing relative conditions in rural and urban areas in North Carolina.

The data on which this study is based were obtained from the following sources: North Carolina State Data Center, United States Census Bureau, North Carolina Department of Agriculture, United States Bureau of Labor Statistics, North Carolina Employment Security Commission, United States Department of Agriculture, and North Carolina Center for Health Statistics.

North Carolina Metro/NonMetro Counties and Geographic Regions

Metropolitan Statistical Areas (MSA's) as defined June, 1983



Population

North Carolina's rural population will continue to grow.

All parts of the state are expected to experience growth between now and the year 2000. However, rural areas are expected to grow somewhat more slowly than urban areas.

In 1980, approximately 47 percent (2,677,091 of 5,880,313) of North Carolina's population lived in non-metro counties. By 2000, this percentage is expected to drop slightly to about 44 percent (3,184,657 of 7,262,877).

Growth rates will vary substantially among the different regions of the state, with the predominantly urban Piedmont growing the fastest.

Between 1990 and 2000, the Piedmont and the Tidewater regions are projected to grow faster than the state average of 10 percent, while the Coastal Plain and Mountain regions are projected to grow more slowly than the state average. It is important to note, however, that in the Mountain, Coastal Plain and Tidewater regions, anticipated nonmetro growth rates equal or exceed anticipated metro growth rates.

Population Distribution

	1980		1990		2000	
North Carolina	5880313	100.0	[illegible]	[illegible]	[illegible]	[illegible]
Met	3203222	54.5	[illegible]	[illegible]	[illegible]	[illegible]
NonMet	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tidewater	552337	100.0	666879	100.0	780908	100.0
Met	216255	39.1	253910	38.1	290515	37.2
NonMet	336082	60.9	412969	61.9	490393	62.8
Coastal Plain	1308657	100.0	[illegible]	[illegible]	[illegible]	[illegible]
Met	247160	18.8	[illegible]	[illegible]	[illegible]	[illegible]
NonMet	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Piedmont	3126975	100.0	3567761	100.0	3973086	100.0
Met	2477930	79.2	2859099	80.1	3212954	80.9
NonMet	649045	20.8	708662	19.9	760132	19.1
Mountain	891344	100.0	974049	100.0	[illegible]	100.0
Met	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NonMet	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The population of rural areas will continue to be older than the population of urban areas.

The proportion of young people in rural North Carolina will decline.

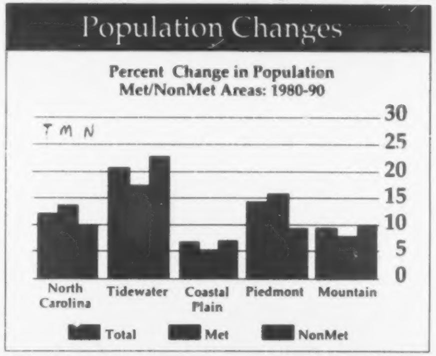
Between 1990 and 2000, it is anticipated that the rate of increase for the population under 15 years of age will be 6.8 percent in metro counties. The nonmetro rate is projected at 2.2 percent. The Coastal Plain region will actually have fewer young people in 2000 than in 1990.

The proportion of working age people in rural areas will decline slightly.

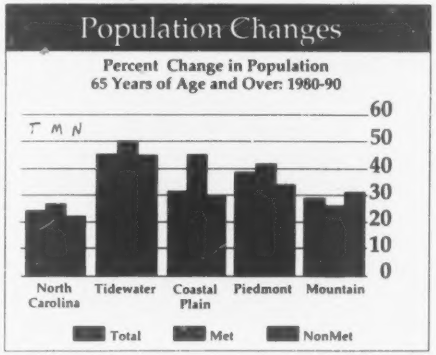
Between 1990 and 2000, the rate of increase for the population 16 to 64 years of age is projected to be 11.5 percent in metro counties while the nonmetro rate will be 8.1. Growth will be especially slow in the Mountain and Coastal Plain regions and especially fast in the Tidewater

The proportion of elderly in rural areas will continue to be large.

As in the rest of the country, the average age of North Carolinians is increasing. This is particularly true for rural North Carolina, which will continue to have a disproportionate share of elderly. By 2000, 15 of every 100 persons living in nonmetro counties in the state will be more than 65 years of age. Elderly populations will be high in each of the four regions, but especially large in the Coastal Plain and the Tidewater regions.


Population Changes

Percent Change in Population
Met/NonMet Areas: 1980-90


Population Changes

Percent Change in Population
65 Years of Age and Over: 1980-90

Economy

Unemployment is significantly higher in rural than in urban areas.

Most people in North Carolina can find work.

The statewide unemployment rate in 1986 was a low 5.3 percent, and was estimated at 4.5 percent in 1987

However, rates of unemployment are significantly higher in rural areas than in urban areas.

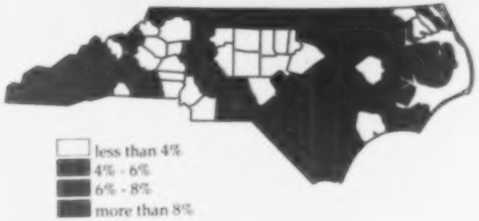
In 1986, unemployment averaged 4.5 percent in metro counties and 6.5 percent in nonmetro counties. The Piedmont had comparatively low rates of unemployment in both metro and nonmetro counties, while the Coastal Plain had the highest rates for both types of counties. In fact, the nonmetro unemployment rate in the Piedmont was almost equal to the metro unemployment rate in the Coastal Plain. The Mountain and the Tidewater regions fell between these two extremes.

Labor and Unemployment

Total Civilian Labor Force and Rate of Unemployment in Met/NonMet Areas: 1986

	Rate of Unemployment 1986	Civilian Labor Force 1986
Tidewater	6.0	263,150
Met	5.7	98,920
NonMet	6.2	1,642,301
Piedmont	4.6	184,550
Met	4.3	1,525,800
NonMet	6.1	338,750

Unemployment Rate in North Carolina Counties: 1987



Rates of job growth are slower in rural than urban areas.

Rural counties lost jobs in the early 1980's and still lag behind in job growth.

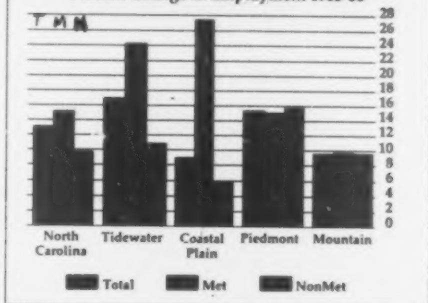
In the recessionary period between 1980 and 1983, North Carolina's overall rate of change in total employment was only 0.1 percent. Nonmetro counties actually lost employment during that time. As the economy picked up in the period between 1983 and 1986 metro employment increased at 15.4 percent while nonmetro employment lagged behind at 9.8 percent.

Job growth is slowest in the Coastal Plains and Mountain regions.

Between 1983 and 1986, job growth in the Coastal Plains and Mountain regions were both below the state average of 13 percent. During the same years, the rates of job growth in the Piedmont and Tidewater regions were higher than the state average.

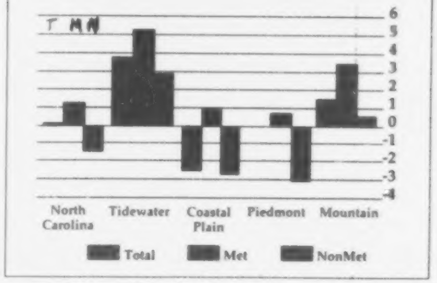
Percent Change in Employment

Percent Change in Employment 1983-86



Percent Change in Employment

Percent Change in Employment 1980-83



Per capita income is significantly lower in rural than in urban areas.

Per capita income is lower in rural areas than in urban areas and the gap appears to be increasing .

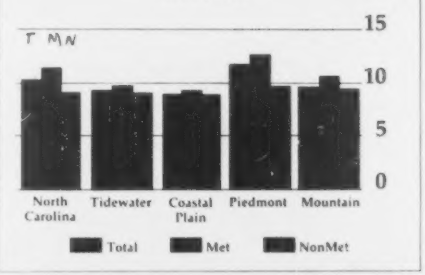
In 1980, per capita income was lower in nonmetro counties ($6,834) than in metro counties ($8,579). The gap between nonmetro and metro personal income increased in the period between 1980 and 1984 from [illegible] to [illegible]. On average, people in metro counties [illegible] than people in nonmetro counties and the difference appears to be growing.

Income in the Coastal Plain region is the lowest in the state while income in the Piedmont region is the highest.

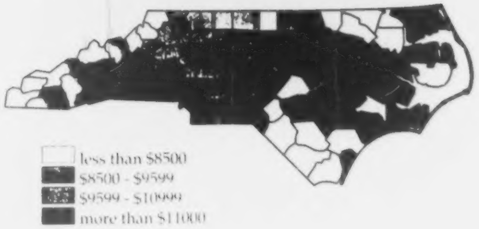
In 1984 per capita income in the Coastal Plain region was $9,085 compared to a per capita income of $12,086 in the Piedmont region. Regional differences are so great that income in nonmetro counties in the Piedmont is higher than in metro counties [illegible]. The Mountain and Tidewater regions [illegible] extremes.

Per Capita Personal Income

1984 (000's)



Per Capita Income in North Carolina Counties: 1984



Rates of poverty are dramatically higher in rural areas.

The rates of poverty are significantly higher in rural areas than in urban areas and the gap appears to be widening.

In 1980, 17.8 percent of people living in North Carolina's nonmetro counties lived below the poverty level. The metro rate was 11.3 percent, a 6.5 percentage point difference between nonmetro and metro rates. In 1983, it was estimated that 20.6 percent of North Carolina's nonmetro residents lived in poverty while 12.9 percent of metro dwellers did, suggesting that the poverty gap is continuing to widen.

Particularly hard hit by poverty are female-headed households.

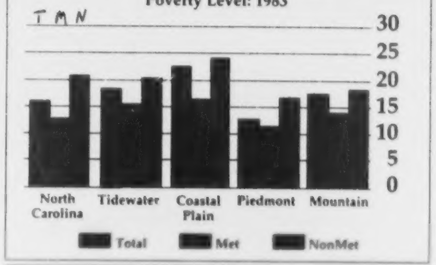
In 1980, the rate of poverty for female-headed households in nonmetro counties was 36 percent, compared to a metro rate of 28 percent. In the Coastal Plain and Tidewater regions more than 40 percent of female-headed households live below the poverty level. In the Piedmont and Mountain regions the rate is around 26 percent.

Significant differences in poverty are found among the four regions.

The highest rates of poverty are found in the Coastal Plain region where, in 1983, one of every four people lived below the poverty level. The lowest rate is found in the Piedmont.

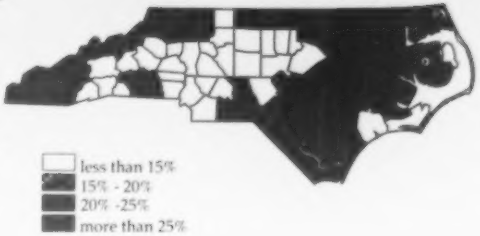
Population Below Poverty Level

Percentage of Population Below Poverty Level: 1983



Incidence of Poverty

Poverty in North Carolina Counties: 1983



The industrial mix of rural areas is different from that of urban areas.

A slightly higher proportion of people in rural areas are employed in manufacturing.

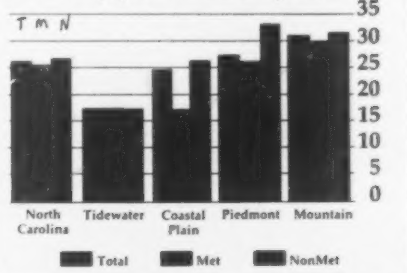
In 1986, a slightly higher proportion of the people who lived in nonmetro counties were employed in manufacturing. This distinction is most pronounced in the Coastal Plain region where 26 percent of the nonmetro, and 12.7 percent of the metro workforce was employed in manufacturing.

A much lower proportion of people in rural areas are employed in service sector jobs.

Metro counties have a disproportionate number of service sector jobs. About 17 percent of the metro workforce, but only 10 percent of the nonmetro workforce, were employed in the service sector in 1986. This pattern held true in every region but was most pronounced in the Piedmont. Tremendous service sector growth is expected in North Carolina in the future.

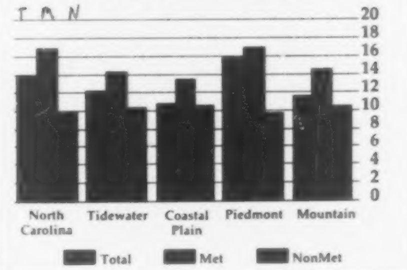
Labor in Manufacturing

Percentage of Civilian Labor Force Employed in Manufacturing: 1986



Labor in Service Jobs

Percentage of Civilian Labor Force Employed in Service Industry: 1986



Agricultural employment is low both in rural and urban areas.

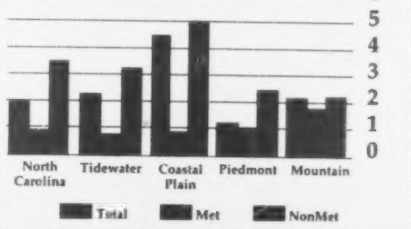
Approximately 2 percent of the total labor force in North Carolina is now employed in agriculture. As expected, a larger percentage of people in nonmetro counties make their living on the farm than in metro counties.

A higher proportion of farmers in urban areas are able to rely on off-farm income than in rural areas.

About 40 percent of North Carolina's farmers are able to significantly supplement their farm income with off-farm income. But such income is easier for farmers in metro counties to find. In metro counties about 47 percent of farmers work 100 days off the farm. Only about 38 percent of farmers in nonmetro counties meet this criterion. This distinction holds in each region, but is most pronounced in the Coastal Plain region.

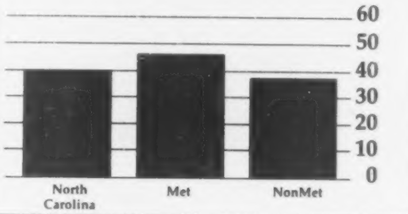
Labor in Agriculture

Percentage of Civilian Labor Force Employed in Agriculture: 1986



Farm Operators Working Off Farms

Percentage of Farm Operators Working 100 Days or More off the Farm: 1980



Education

Educational attainment is significantly lower in rural areas.

Educational attainment is lower in rural areas than in urban areas.

In 1980, about 3 in 10 people living in nonmetro counties did not finish the ninth grade. In metro counties the rate was 2 in 10, or 33 percent lower.

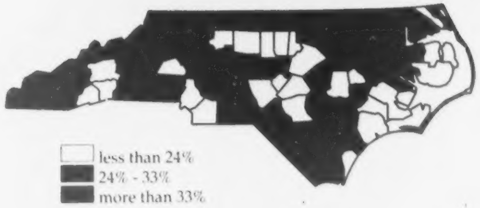
Educational attainment is especially low in the Coastal Plain and Mountain regions.

In the Coastal Plain region, 33 percent of people who live in nonmetro counties, and 15 percent of those who live in metro counties, quit school before the ninth grade. In general, the Tidewater and the Piedmont regions have higher percentages of their populations completing the ninth grade than the Coastal Plain or the Mountain regions.

Education of Population 25 & Older: 1980

	Less Than 5 Years of School	Less Than 9 Years of School	Completed High School	More Than High School
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tidewater	4.5	19.5	55.7	22.9
Met	3.6	16.0	65.5	30.1
NonMet	4.9	21.1	51.2	19.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Piedmont	5.0	22.2	57.3	30.4
Met	4.4	20.5	59.8	32.8
NonMet	7.2	28.9	47.8	21.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Percentage of Population 25 Years and Older With Less Than a 9th Grade Education: 1980



Dropout rates are slightly higher in rural areas.

Local expenditures for education are lower in rural areas.

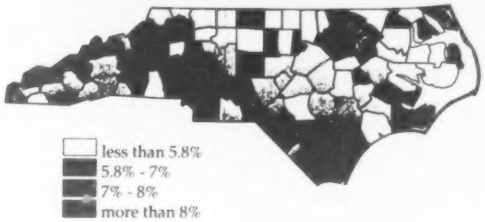
Dropout rates are somewhat higher in rural areas than in urban areas.

Statewide high school dropout rates tend to be slightly higher in nonmetro counties. Only in the Tidewater region does the metro dropout rate exceed the nonmetro rate. The 7.2 percent dropout rate found in the Mountain region is the highest in the state.

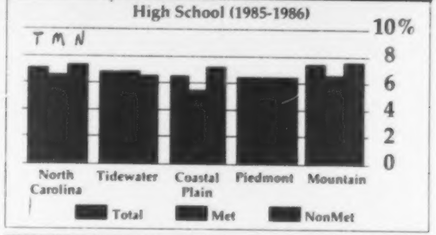
Local expenditures for education tend to be lower in rural areas.

In 1984/85 an average of $668 per pupil was spent in the metro counties, but only $432 in nonmetro counties. The Piedmont region leads the state in local per pupil expenditures. Urban areas appear to be better able to pay for education.

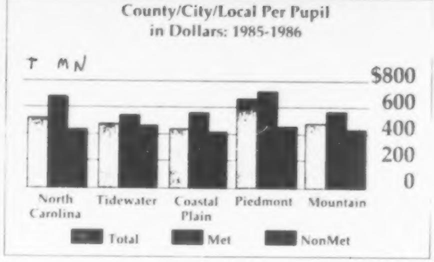
High School Dropout Rate: 1986



Estimated Dropout Rates



Local Expenditures per Pupil



Health & Housing

Infant mortality is higher in rural areas.

Health care is limited in rural areas.

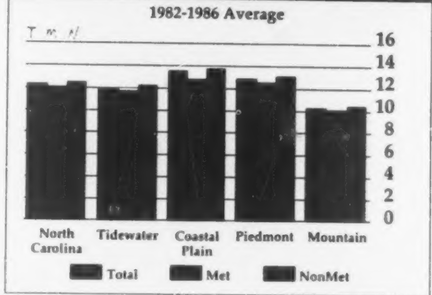
The infant mortality rate is higher in rural areas.

The infant mortality rate, considered one of the best overall indicators of health status, is slightly higher in nonmetro than metro counties. Rates are highest in the Coastal Plain region where 14 infant deaths occur for every 1,000 live births. The lowest rates are in the Mountain region. Rates in the Tidewater region and the Piedmont region fall between the two extremes.

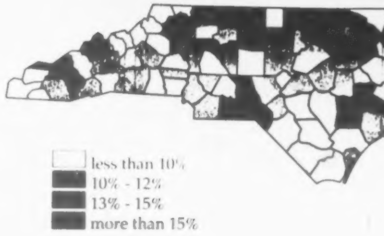
There is significantly less access to health care in rural areas than in urban areas.

Access to health care is generally better in metro counties where the ratio is 1,472 per physician than in nonmetro areas where it is 2,045. The Piedmont and Mountain regions have better access to health care than the Coastal Plain or the Tidewater Regions.

Infant Mortality Rates



Infant Mortality Rate in North Carolina Counties: 1982-86



Medical Resources per Person

	Persons Per Physician	Persons Per Nurse	Persons Per Bed	Persons Per Other Health Facility
	1985	1985	1985	1982
North Carolina	1596	175	275	5313
Met	1472	142	243	5782
NonMet	2045	245	276	4859
Tidewater	2182	238	307	6977
Met	2098	192	303	6197
NonMet	2238	282	309	7588
Coastal Plain	2132	227	308	5550
Met	2747	261	424	8582
NonMet	2027	220	289	5131
Piedmont	1495	148	237	5295
Met	1378	135	232	5892
NonMet	2239	241	257	3806
Mountan	1688	207	248	4472
Met	1432	126	223	3756
NonMet	1821	[illegible]	[illegible]	[illegible]

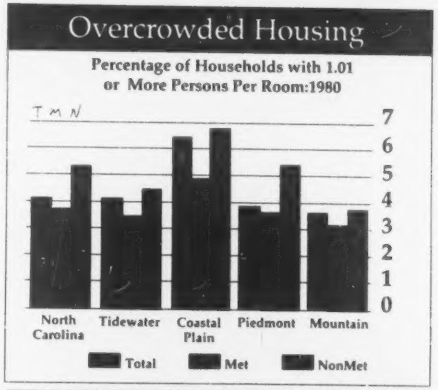
Housing is generally poorer in rural areas.

Housing in rural areas is generally more crowded than housing in urban areas.

In 1980, 5.5 percent of all housing in nonmetro counties contained 1.01 or more persons per room. The metro rate was 3.7 percent. The Coastal Plain region contains the highest rate of crowded housing while the Mountain region has the lowest

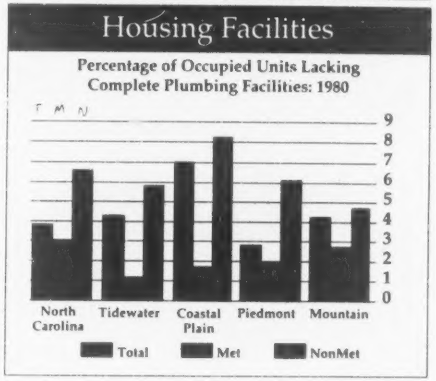
Rural housing is much more likely to lack complete plumbing facilities.

In 1980, 6.6 percent of all housing in nonmetro counties lacked complete plumbing facilities, while the metro rate was only 2 percent. Seven percent of houses in the Coastal Plain region lacked complete plumbing while the rate in the Piedmont region was less than 3 percent.



Overcrowded Housing

Percentage of Households with 1.01 or More Persons Per Room:1980



Housing Facilities

Percentage of Occupied Units Lacking Complete Plumbing Facilities: 1980

Suggested Uses of Data Base

This report is intended to serve as a convenient and useful planning tool for the many individuals and organizations throughout North Carolina who are working to improve life in our rural areas.

We realize, however, that the information contained in this publication is limited. Anyone deeply involved in the development of rural economic strategies is encouraged to obtain the full 100-county data base available on computer disk from the North Carolina Rural Economic Development Center.

The information on the disk is presented for the state as a whole, for each region and by metro/nonmetro classification. This allows three comparisons to be made for each indicator:

1) statewide comparison of metro to nonmetro counties;

2) comparisons among the four different regions; and

3) comparison of metro to nonmetro counties within regions.

The disks are available at a minimal cost and will be accompanied by a computer printout.

Call or write:

North Carolina Rural Economic Development Center
116 North Person Street
Raleigh, NC 27601 (919) 821-1154

Sample Use of Data Base: Economic Status of Rural Minorities

In order to gain a better understanding of the economic status of minorities in rural North Carolina, an analysis was conducted of the nine counties with minority populations exceeding 50 percent. The analysis revealed that in these counties:

- Per capita income is 80 percent of the state average.
- Local educational expenditures are 60 percent of the state average.
- Poverty rates are almost double the state average.

Minority County Study

County	Per Capita Income	Educational Expenditures Per Pupil	Population	Percent below Poverty	Number below Poverty
	1984	1984-85	1980	1980	1980
Halifax	7865	382	55076	0.289	15917
Hertford	8342	462	23368	0.232	5421
Hoke	6349	360	20383	0.202	4117

Following is a partial listing of the more than 100 categories of indicators contained in the data base:

Metropolitan Statistical Area codes
Census Bureau five digit codes
Regional codes
Counties in alphabetical sequence
Total population
Total square miles per county
Population per square miles
Population 65 and older
Population 16-64
Population 15 and younger
Total nonwhite population
Net migration estimate
Total personal income
Median family income
Total civilian labor force
Total employed in agriculture
Total employed in government
Total employed in service industries
Total employed in manufacturing
Total employed in non-manufacturing
Value added to manufacturing
Total retail sales
Total 16 and older not working but available to work
Total farmers
Farmers who worked off the farm 100 days or more
Acres in commercial forest land
Acres in agricultural production
Acres in each county
Total primary state highway miles
Total secondary state highway miles
Total paved state highway miles
Total unpaved highway miles
Total highway expenditures per county
Population 25 and older with less than a 5th grade education
Population 25 and older with less than a 9th grade education
Population 25 and older with a high school diploma
Population 25 and older with more than a high school diploma
High school average daily membership
Elementary and secondary schools average daily membership
Total high school dropouts
Total local expenditures for education
Total number of physicians
Total number of hospital beds
Total number of nurses
Total persons receiving disability payments
Total health facilities not including hospitals
Total infant deaths
Infant death rate
Total persons receiving aid to families with dependent children
Total persons receiving supplemental security income
Total occupied housing units
Total housing units lacking complete plumbing facilities
Total persons living below the poverty level
Total families living below the poverty level
Total female headed households
Total female headed households below poverty level

Rural Profile *Appendix*

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Regional Indicators

Distribution of Population in Met and NonMet Areas / **Rate of Change**

	1980		1990		2000		1980/1990	1990/2000
North Carolina	5880313	100.0	6601815	100.0	[illegible]	100.0	[illegible]	[illegible]
Met	3203222	54.5	3656522	55.4	4078220	56.2	14.2	11.5
NonMet	2677091	45.5	2945293	44.6	3184657	43.8	10.0	8.1
Tidewater	552337	100.0	666879	100.0	780908	100.0	20.7	17.1
Met	216255	39.1	253910	38.1	290515	37.2	17.4	14.4
NonMet	336082	60.9	412969	61.9	490393	62.8	22.9	18.7
Coastal Plain	1309657	100.0	1393126	100.0	1462901	100.0	[illegible]	[illegible]
Met	247160	18.9	258613	18.6	271841	18.6	5.0	4.2
NonMet	1062497	81.1	1133513	81.4	1191060	81.4	6.7	5.1
Piedmont	3126975	100.0	3567761	100.0	3973086	100.0	14.1	11.4
Met	2477930	79.2	2859099	80.1	3212954	80.9	15.4	12.4
NonMet	649045	20.8	708662	19.9	760132	19.1	9.2	7.3
Mountain	891344	100.0	974049	100.0	1045982	[illegible]	[illegible]	[illegible]
Met	261877	29.4	282900	29.1	302910	28.9	8.4	6.7
NonMet	629467	70.6	690149	70.9	743072	71.1	9.6	7.7

	Net Migration		Net Migration Rate		Percent Minority
	1980/1990	1990/2000	1980/1990	1990/2000	1980
North Carolina	385166	384834	6.6	5.8	24.2
Met	242657	238066	7.6	6.5	21.6
NonMet	142509	146768	5.3	5.0	27.4
Tidewater	60533	60487	11.0	9.1	26.6
Met	7007	5235	3.2	2.1	23.3
NonMet	53526	55252	15.9	13.4	28.8
Coastal Plain	-16392	-11913	-1.3	-0.9	39.5
Met	-27150	-24712	-11.0	-9.1	36.0
NonMet	10758	12799	1.0	1.1	40.3
Piedmont	284780	281032	9.1	7.9	22.5
Met	248018	243159	10.0	8.5	21.4
NonMet	36762	37873	5.7	5.3	26.8
Mountain	56245	55228	6.3	5.7	6.2
Met	14782	14384	5.6	5.1	8.4
NonMet	41463	40844	6.6	5.9	5.3

Demographic Indicators by Region

	Population 15 and Under			Rate of Change	
	1980	1990	2000	1980/1990	1990/2000
North Carolina	1,439,443	1,409,692	1,475,777	-2.1	4.7
Met	765,032	761,108	813,146	-0.5	6.8
NonMet	674,411	648,584	662,631	-3.8	2.2
Tidewater	136,441	151,809	171,321	11.5	12.6
Met	51,648	56,993	62,723	10.3	10.1
NonMet	84,524	94,816	108,598	12.2	14.5
Coastal Plain	347,404	327,129	319,288	-5.8	-2.4
Met	67,499	63,943	62,263	-5.3	-2.6
NonMet	279,905	263,186	257,025	-6.0	-2.3
Piedmont	747,875	736,281	785,040	-1.6	6.6
Met	585,747	584,376	631,281	-0.2	8.0
NonMet	162,128	151,905	153,759	-6.3	1.2
Mountain	207,992	194,473	200,128	-6.5	2.9
Met	60,138	55,796	56,789	-7.2	1.8
NonMet	147,854	138,677	143,249	-6.2	3.3

	Population 16 to 64			Rate of Change		Population 65 and Over			Rate of Change	
	1980	1990	2000	1980/1990	1990/2000	1980	1990	2000	1980/1990	1990/2000
North Carolina	3837656	4371251	4795714	13.9	9.7	602825	820942	992164	36.2	20.9
Met	2141325	2480455	2748886	15.8	10.8	296964	414969	516197	39.7	24.4
NonMet	1696331	1890796	2046828	11.5	8.3	305861	405973	475967	32.7	17.2
Tidewater	363849	438217	511350	20.4	16.7	52323	76853	98238	46.9	27.8
Met	150019	175088	199411	16.7	13.9	14588	21829	28387	49.6	30.0
NonMet	213830	263129	311939	23.1	18.5	37735	555024	69851	45.8	27.0
Coastal Plain	841578	907545	959896	7.8	5.8	120780	158452	184124	31.2	16.2
Met	168442	179348	187689	6.5	4.7	11219	16322	21893	45.6	34.1
NonMet	673136	728197	772207	8.2	6.0	109561	142130	162231	29.7	14.1
Piedmont	2064593	2394899	2651737	16.0	10.7	314606	436651	536315	38.8	22.8
Met	1653970	1939576	2163648	17.3	11.6	238312	335157	418024	40.6	24.7
NonMet	410623	455323	488089	10.9	7.2	76294	101494	118291	33.0	16.5
Mountain	567636	630590	672731	11.1	6.7	115116	148986	173487	29.4	16.4
Met	168894	186443	198138	10.4	6.3	32845	41661	[illegible]	26.8	[illegible]
NonMet	398742	444147	474593	11.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Economic and Education Indicators by Region

	Unemployment Rate		% Change in Employment		% Employed by Industry Service	Manufacturing	Agriculture
	1986	1987	1980-83	1983-86	1986	1986	1986
North Carolina	5.3	4.5	0.1	13.0	14.0	26.2	[illegible]
Met	4.5	3.7	1.2	15.4	16.9	25.5	0.9
NonMet	6.5	5.6	-1.4	9.8	10.1	27.1	3.3
Tidewater	6.0	5.8	3.6	16.7	12.0	12.6	2.2
Met	5.7	5.2	5.2	24.1	14.7	12.6	0.7
NonMet	6.2	6.1	2.7	10.7	10.3	12.6	3.2
Coastal Plain	6.9	6.0	-2.3	8.5	10.8	24.0	4.1
Met	6.0	5.4	0.9	27.3	13.8	12.7	0.9
NonMet	7.0	6.1	-2.8	5.7	10.3	26.0	4.7
Piedmont	4.6	3.8	0.0	14.8	16.0	28.0	1.1
Met	4.3	3.5	0.7	14.6	17.4	26.8	0.9
NonMet	6.1	5.3	-3.1	16.0	9.8	33.1	2.4
Mountain	5.7	4.7	1.6	9.6	11.5	29.4	1.9
Met	4.8	4.1	3.4	9.7	14.6	28.4	4.1
MonMet	6.1	5.0	0.5	9.6	10.1	30.0	2.1

	Per Capita Income		% of Farm Operators with 100 Days off Farm	% Less than 9 Years of School	% 12 or More Years of School	$'s Local Expenditures Per Pupil	High School Dropout Rate
	1980	1984	1980	1980	1980	1984-85	1985-86
North Carolina	7783	10853	40.3	24.6	54.8	555.00	6.9
Met	8579	12072	47.3	20.2	60.3	668.00	6.7
NonMet	6834	9381	37.7	29.9	48.3	432.00	7.0
Tidewater	6879	9497	35.3	19.5	55.7	493.00	6.9
Met	6981	10071	39.7	16.0	65.5	530.00	6.9
NonMet	6812	9136	34.6	21.1	51.2	474.00	6.8
Coastal Plain	6623	9085	31.1	30.0	51.3	439.00	6.8
Met	6710	9420	41.0	14.6	69.6	562.00	5.7
NonMet	6603	9008	30.9	33.1	47.7	414.00	7.0
Piedmont	8615	12086	46.2	22.2	57.3	643.00	6.8
Met	8994	12636	47.9	20.5	59.8	697.00	6.8
NonMet	7167	9942	44.0	28.9	47.8	449.00	6.8
Mountain	7141	9929	46.7	29.3	49.9	467.00	7.2
Met	7740	10809	47.9	24.9	54.0	584.00	6.9
NonMet	6892	9568	46.5	31.2	48.2	421.00	7.3

Health & Housing Indicators by Region

	Persons per Physician	Infant Mortality	% of Persons Below Poverty	% of Female Headed Households Below Poverty	% of Housing Without Plumbing	% of Houses With 1.01+ Persons Per Room
	1985	1982-86	1980	1980	1980	1980
North Carolina	1596	12.58	14.7	31.6	3.8	4.2
Met	1472	12.43	11.3	27.9	2.0	3.7
NonMet	2045	12.78	17.8	36.1	6.6	5.5
Tidewater	2182	12.16	16.9	42.4	4.2	4.2
Met	2098	11.83	14.2	42.3	1.3	3.4
NonMet	2238	12.43	26.6	42.5	5.9	4.6
Coastal Plain	2132	13.62	20.4	41.8	7.0	6.5
Met	2747	13.09	15.5	[illegible]	[illegible]	[illegible]
NonMet	2027	13.79	[illegible]	[illegible]	[illegible]	[illegible]
Piedmont	1495	12.70	11.3	26.4	2.9	4.0
Met	1378	12.60	10.6	25.2	2.0	3.7
NonMet	2239	13.12	13.9	30.8	6.2	5.4
Mountain	1688	10.43	[illegible]	[illegible]	[illegible]	[illegible]
Met	1432	10.26	12.0	[illegible]	[illegible]	[illegible]
NonMet	1821	10.50	[illegible]	[illegible]	[illegible]	[illegible]

Demographic Indicators by County

	Total Population			Rate of Change		Population 15 and Under			Rate of Change		Population 16 to 64			Rate of Change		Population 64 and Over			Rate of Change	
	1980	1990	2000			1980	1990	2000			1980	1990	2000			1980	1990	2000		
North Carolina	5880313	6601815	7262877	12.3	10.0	1439443	1409692	1475777	-2.1	4.7	3837656	4371251	4795714	13.9	9.7	602825	820942	992164	36.2	20.9
Alamance	99319	105575	109497	6.3	3.7	22328	19517	19191	-12.6	-1.7	65554	69371	70287	5.8	1.3	11437	16687	20019	45.9	20.0
Alexander	24999	27902	30687	11.6	10.0	6476	6259	6531	-3.4	4.3	16271	18828	20661	15.7	9.7	2252	2815	3495	25.0	24.2
Alleghany	9587	9805	9971	2.3	1.7	2213	1938	1864	-12.4	-3.8	5936	6253	6298	5.3	0.7	1438	1614	1809	12.2	12.1
Anson	25649	26730	27771	4.2	3.9	7093	6535	6485	-7.9	-0.8	15226	16220	17101	6.5	5.4	3330	3973	4185	19.4	5.3
Ashe	22325	23805	25076	6.6	5.3	5217	4809	4843	-7.8	0.7	13375	15148	15862	9.2	4.7	3233	3848	4371	19.0	13.6
Avery	14409	15396	16288	6.8	5.8	3473	3196	3332	-8.0	4.3	9326	10260	10823	10.0	5.5	1610	1940	2133	20.5	9.9
Beaufort	40355	45222	49645	12.1	9.8	10457	10605	10979	1.4	3.5	24722	28147	31313	13.9	11.2	5176	6470	7353	25.0	13.6
Bertie	21024	21384	21566	1.7	0.9	5695	5145	4748	-9.7	-7.7	12630	13025	13363	3.1	2.6	2699	3214	3455	19.1	7.5
Bladen	30491	31030	31145	1.8	0.4	8232	7159	6524	-13.0	-8.9	18944	19798	20240	4.5	2.2	3315	4073	4381	22.9	7.6
Brunswick	3577	55004	75475	53.7	37.2	9492	13164	18248	38.7	38.6	22438	34700	46674	54.6	34.5	3847	7140	10553	85.6	47.8
Buncombe	160934	175450	188316	9.0	7.3	35958	33852	34958	-5.9	3.3	102880	113934	122046	10.7	7.1	22096	27664	31312	25.2	13.2
Burke	72504	78083	82641	7.7	5.8	17658	16012	15953	-9.3	-0.4	47652	52488	55179	10.0	5.1	7194	9583	11509	33.2	20.1
Cabarrus	85895	97013	107495	12.9	10.8	20616	20125	21688	-2.4	7.8	55174	63183	69771	14.5	10.4	10105	13705	16036	35.6	17.0
Caldwell	67746	71586	74445	5.7	4.0	17478	14928	14675	-14.6	-1.7	43899	48099	49250	9.6	2.4	6369	8559	10520	34.4	22.9
Camden	5829	5878	5957	0.8	1.3	1483	1291	1199	-12.9	-7.1	3653	3784	3897	3.6	3.0	693	803	861	15.9	7.2
Carteret	41092	56008	70620	36.3	26.1	9379	11589	14393	23.6	24.2	26955	36528	45433	35.5	24.4	4758	7891	10794	65.8	36.8
Caswell	20705	23563	26343	13.8	11.8	5235	4982	5263	-4.8	5.6	13357	15582	17371	16.7	11.5	2113	2999	3709	41.9	23.7
Catawba	105208	119504	132490	13.6	10.9	26395	25689	27379	-2.7	6.6	68696	79234	86902	15.3	9.7	10117	14581	18209	44.1	24.9
Chatham	33415	37577	41421	12.5	10.2	7669	7179	7438	-6.4	3.6	21945	25412	27770	14.9	10.1	3801	5184	6213	36.4	19.8
Cherokee	18933	21219	23304	12.1	9.8	4676	4498	4792	-3.8	6.5	11422	12930	14021	13.2	8.4	2835	3791	4491	33.7	18.5
Chowan	12558	13882	15004	10.5	8.1	3095	3125	3157	1.0	1.0	7681	8332	8978	8.5	7.8	1782	2425	2869	36.1	18.3
Clay	6619	7565	8393	14.3	10.9	1475	1510	1562	2.4	3.4	4050	4580	5158	13.1	12.6	1094	1475	1673	34.8	13.4
Cleveland	83435	87887	91385	5.3	4.0	21612	19174	18985	-11.3	-1.0	52726	56886	58763	7.9	3.3	9097	11827	13637	30.0	15.3
Columbus	51037	53046	54354	3.9	2.5	13615	12311	11738	-9.6	-4.7	31869	33676	34685	5.7	3.0	5553	7059	7931	27.1	12.4
Craven	71043	85711	100533	20.6	17.3	18614	21411	24001	15.0	12.1	46979	55907	65440	19.0	17.1	5450	8393	11092	54.0	32.2
Cumberland	247160	259613	271841	5.0	4.7	67499	63943	62263	-5.3	-2.6	168442	179348	187685	6.5	4.6	11219	16322	21893	45.5	34.1
Currituck	11089	14735	18701	32.9	26.9	2722	3429	4296	26.0	25.3	7064	9510	12068	34.6	26.9	1303	1796	2337	37.8	30.1
Dare	13377	21903	30687	63.7	40.1	2681	4266	6019	59.1	41.1	9006	14399	19945	59.9	38.5	1690	3238	4723	91.6	45.9
Davidson	113162	122656	130994	8.4	6.8	28258	25943	26751	-8.2	3.1	73918	81789	86291	10.6	5.5	10986	14924	17952	35.8	20.3
Davie	24599	30706	37074	24.8	20.7	6200	6778	8052	9.3	18.8	15889	20440	24495	28.6	19.8	2510	3488	4527	39.0	29.8
Duplin	40952	42122	42739	2.9	1.5	10710	9705	9136	-9.4	-5.9	25481	26485	27064	3.9	2.2	4761	5932	6539	24.6	10.2
Durham	152235	174000	194831	14.3	12.0	33748	34939	37900	3.5	8.5	102776	118107	132511	14.9	12.2	15711	20954	24420	33.4	16.5
Edgecombe	55988	60917	65180	8.8	7.0	15296	14854	14943	-2.9	0.6	34848	38508	41584	10.5	8.0	5844	7555	8653	29.3	14.5
Forsythe	243704	271140	293816	11.3	8.4	55303	52435	53285	-5.2	1.6	163350	183934	196700	12.6	6.9	25051	34771	43831	38.8	26.1
Franklin	30055	36642	42942	21.9	17.2	7213	7758	8690	7.6	12.0	18896	23357	27486	23.6	17.7	3946	5527	6766	40.1	22.4
Gaston	162568	177314	190381	9.1	7.4	42010	38571	40371	-8.2	4.7	104101	116531	123362	11.9	5.9	16457	22212	26648	35.0	20.0
Gates	8875	9961	10902	12.2	9.4	2132	2048	2048	-3.9	0.0	5525	6300	6956	14.0	10.4	1218	1613	1898	32.4	17.7
Graham	7217	7147	6992	-1.0	-2.2	1895	1587	1460	-16.3	-8.0	4404	4460	4385	1.3	-1.7	918	1100	1147	19.8	4.3
Granville	34043	39887	45127	17.2	13.1	8288	8047	8451	-2.9	5.0	21927	26398	29775	20.4	12.8	3828	5442	6901	42.2	26.8
Greene	16117	16866	17269	4.6	2.4	4328	3952	3564	-8.7	-9.8	10258	10874	11416	6.0	5.0	1531	2040	2289	33.2	12.2
Guilford	317154	337490	349170	6.4	3.5	73312	65308	63181	-10.9	-3.3	211904	229456	235028	8.3	2.4	31938	42726	50961	33.8	19.3
Halifax	55076	56604	57138	2.8	0.9	14679	13057	12122	-11.0	-7.2	33652	34882	35268	3.7	1.1	6745	8665	9748	28.5	12.5
Harnett	59570	66673	73503	11.9	10.2	15008	15346	16194	2.3	5.5	38526	43612	48336	13.2	10.8	6036	7715	8973	27.8	16.3
Haywood	46495	49649	52089	6.8	4.9	10498	9122	9134	-13.1	0.1	29682	32046	32932	8.0	2.8	6315	8481	10023	34.3	18.2
Henderson	58580	72409	85428	23.6	18.0	12986	13954	16065	7.5	15.1	35235	43578	50972	23.7	17.0	10359	14877	18391	43.6	23.6
Hertford	23368	24455	25125	4.7	2.7	5918	5462	5021	-7.7	-8.1	14631	15145	15690	3.5	3.6	2819	3848	4414	36.5	14.7
Hoke	20383	24786	29203	21.6	17.8	6295	6995	7825	11.1	11.9	12491	15478	18399	23.9	18.9	1597	2313	2979	44.8	28.8
Hyde	5873	5929	6066	1.0	2.3	1497	1364	1312	-8.9	-3.8	3490	3637	3853	4.2	5.9	886	928	901	4.7	-2.9
Iredell	82538	91963	100337	11.4	9.1	20432	19552	20418	-4.3	4.4	52650	59709	64690	13.4	8.3	9456	12702	15229	34.3	19.9
Jackson	25811	27039	27790	4.8	2.8	5400	4930	4817	-8.7	-2.3	17575	18826	19438	7.1	3.3	2836	3283	3535	15.8	7.7

Demographic Indicators by County

	Total Population			Rate of Change		Population 15 and Under			Rate of Change		Population 16 to 64			Rate of Change		Population 64 and Over			Rate of Change	
	1980	1990	2000	1980-1990	1990-2000	1980	1990	2000	1980-1990	1990-2000	1980	1990	2000	1980-1990	1990-2000	1980	1990	2000	1980-1990	1990-2000
Johnston	70599	82748	94207	17.2	13.8	17701	18265	19853	3.2	8.7	45235	53708	61465	18.7	14.4	7663	10775	12889	40.6	19.6
Jones	9705	9876	9975	1.8	1.0	2553	2310	2187	-9.5	-5.3	6018	6100	6252	1.4	2.5	1134	1466	1536	29.3	4.8
Lee	36718	44221	51497	20.4	16.5	9271	10082	11296	8.7	12.0	23822	28746	33348	20.7	16.0	3625	5393	6853	48.8	27.1
Lenoir	59819	60461	59841	1.1	-1.1	15467	13419	11994	-13.2	-10.6	38412	38826	38442	1.8	-1.0	6210	8216	9405	32.3	14.5
Lincoln	42372	48623	54837	14.8	12.8	10918	10866	.11870	-0.5	9.2	27364	32289	36251	18.0	12.3	4090	5468	6716	33.7	22.8
Macon	20178	24827	29117	23.0	17.3	4164	4471	5158	7.4	15.4	12317	15113	17484	22.7	15.7	3697	5243	6475	41.8	23.5
Madison	16827	17686	18408	5.1	4.1	3726	3546	3555	-4.8	0.3	10675	11537	12314	8.1	6.7	2426	2603	2539	7.3	-2.5
Martin	25948	27183	27959	4.8	2.9	6868	6151	5907	-10.4	-4.0	16098	17082	17703	6.1	3.6	2982	3950	4349	32.5	10.1
McDowell	35135	36865	38333	4.9	4.0	8992	8085	8088	-10.1	0.0	22071	23718	24517	7.5	3.4	4072	5062	5728	24.3	13.2
Mecklenburg	404270	482405	555612	19.3	15.2	97591	100193	110260	2.7	10.0	272835	330846	377767	21.3	14.2	33844	51366	67585	51.8	31.6
Mitchell	14428	14611	14633	1.3	0.2	3136	2732	2568	-12.9	-6.0	9144	9475	9455	3.6	-0.2	2148	2403	2610	11.9	8.6
Montgomery	22469	24681	26625	9.8	7.9	5769	5576	5645	-3.3	1.2	14028	15546	16908	10.8	8.8	2672	3559	4072	33.2	14.4
Moore	50505	59310	66918	17.4	12.8	11698	11699	12167	0.0	4.0	31382	36785	41321	17.2	12.3	7425	10826	13430	45.8	24.1
Nash	67153	73692	79559	9.7	8.0	17116	16314	16235	-4.7	-0.5	42978	48040	52577	11.8	9.4	7059	9338	10747	32.3	15.1
NewHanover	103471	121367	138671	17.3	14.3	25036	25611	28104	2.3	9.7	67995	81292	93255	19.6	14.7	10440	14464	17312	38.5	19.7
Northampton	22195	22676	22832	2.2	0.7	5529	4840	4375	-12.5	-9.6	13960	14412	14634	3.2	1.5	2706	3424	3823	26.5	11.7
Onslow	112784	132543	151844	17.5	14.6	26612	31382	34619	17.9	10.3	82024	93796	106150	14.4	13.2	4148	7365	11075	77.6	50.4
Orange	77055	89334	101591	15.9	13.7	13893	15229	16273	9.6	6.9	57579	65795	74658	14.7	13.5	5783	8310	10660	43.7	28.3
Pamlico	10398	11448	12391	10.1	8.2	2558	2486	2480	-2.8	-0.2	6416	7154	7724	11.5	8.0	1424	1808	2187	27.0	21.0
Pasquotank	28462	30701	32824	7.9	6.9	6804	6719	6769	-1.2	0.7	18371	19688	21171	7.2	7.5	3287	4294	4884	30.6	13.7
Pender	22262	26966	31610	21.1	17.2	5775	6130	6829	6.1	11.4	13818	16984	19958	22.9	17.5	2669	3852	4823	44.3	25.2
Perquimans	9486	11163	12731	17.7	14.0	2226	2404	2568	8.0	6.8	5750	6708	7749	16.7	15.5	1510	2051	2414	35.8	17.7
Person	29164	31537	33428	8.1	6.0	7276	6925	6897	-4.8	-0.4	18537	20113	21400	8.5	6.4	3351	4499	5131	34.3	14.0
Pitt	90146	101761	112850	12.9	10.9	20505	21753	22853	6.1	5.1	61918	69604	77731	12.4	11.7	7723	10404	12266	34.7	17.9
Polk	12984	15384	17442	18.5	13.4	2676	2631	2831	-1.7	7.6	7644	9064	10159	18.6	12.1	2664	3689	4452	38.5	20.7
Randolph	91300	103728	115674	13.6	11.5	22456	21664	23661	-3.5	9.2	59710	69498	76586	16.4	10.2	9134	12566	15427	37.6	22.8
Richmond	45481	46677	47363	2.6	1.5	11843	10522	9854	-11.2	-6.3	28402	29446	30177	3.7	2.3	5236	6709	7392	28.1	10.2
Robeson	101610	108783	114720	7.1	5.5	30952	28907	28231	-6.6	-2.3	61292	67639	72472	10.4	7.1	9366	12237	14017	30.7	14.5
Rockingham	83426	86771	89190	4.0	2.8	20585	18219	17801	-11.5	-2.3	53187	56638	58396	6.5	3.1	9654	11914	12993	23.4	9.1
Rowan	99186	107723	114449	8.6	6.2	22363	21398	21698	-4.3	1.4	63762	68626	72571	7.6	5.7	13061	17699	20180	35.5	14.0
Rutherford	53787	58737	63416	9.2	8.0	13420	12884	13676	-4.0	6.1	33133	36735	39383	10.9	7.2	7234	9118	10357	26.0	13.6
Sampson	49687	50704	51028	2.0	0.6	12874	11606	10675	-9.8	-8.0	30842	31885	32554	3.4	2.1	5971	7213	7799	20.8	8.1
Scotland	32273	34611	36526	7.2	5.5	9377	8649	8472	-7.8	-2.0	19959	22135	23785	10.9	7.5	2931	3827	4269	30.6	11.5
Stanly	48517	51334	53446	5.8	4.1	11416	10509	10637	-7.9	1.2	31102	32908	34017	5.8	3.4	5999	7917	8792	32.0	11.1
Stokes	33086	37124	41453	12.2	11.7	8743	8475	9193	-3.1	8.5	21047	24738	27759	17.5	12.2	3296	3911	4501	18.7	15.1
Surry	59449	62805	65450	5.6	4.2	14348	12897	12912	-10.1	0.1	37757	40540	41842	7.4	3.2	7344	9368	10696	27.6	14.2
Swain	10283	11328	12296	10.2	8.5	2565	2530	2670	-1.4	5.5	6225	6911	7478	11.0	8.2	1493	1887	2148	26.4	13.8
Transylvania	23417	27764	31534	18.6	13.6	5525	5577	6069	0.9	8.8	14952	17472	19383	16.9	10.9	2940	4715	6082	60.4	29.0
Tyrrell	3975	4156	4377	4.6	5.3	1003	1028	1034	2.5	0.6	2375	2456	2674	3.4	8.9	597	674	669	12.9	-0.7
Union	70436	85469	101340	21.3	18.6	19439	20776	24039	6.9	15.7	44672	56170	66714	25.7	18.8	6325	8523	10587	34.8	24.2
Vance	36748	39937	42516	8.7	6.5	9835	9161	9074	-6.9	-0.9	22601	25065	26833	10.9	7.1	4312	5711	6609	32.4	15.7
Wake	301327	404751	508621	34.3	25.7	68485	82453	101268	20.4	22.8	210573	287374	357849	36.5	24.5	22269	34924	49504	56.8	41.7
Warren	16232	16587	16765	2.2	1.1	4106	3743	3348	-8.8	-10.6	9731	10007	10272	2.8	2.6	2395	2837	3145	18.5	10.9
Washington	14801	14385	13797	-2.8	-4.1	4185	3495	3127	-16.5	-10.5	9087	9095	8815	0.1	-3.1	1529	1795	1855	17.4	3.3
Watauga	31666	36164	40231	14.2	11.2	5790	6111	6313	5.5	3.3	22851	26082	29118	14.1	11.6	3025	3971	4800	31.3	20.9
Wayne	97054	97628	96389	0.6	-1.3	25466	22869	20827	-10.2	-8.9	63227	64197	63225	1.5	-1.5	8361	10562	12337	26.3	16.8
Wilkes	58657	61969	64614	5.6	4.3	14615	13275	13146	-9.2	-1.0	37929	40983	42751	8.1	4.3	6113	7711	8717	26.1	13.0
Wilson	63132	65422	67025	3.6	2.5	16142	14379	13740	-10.9	-4.4	40519	42886	44215	5.8	3.1	6471	8157	9070	26.1	11.2
Yadkin	28439	30367	31953	6.8	5.2	6522	5932	5968	-9.0	0.6	18362	20021	20913	9.0	4.5	3555	4414	5072	24.2	14.9
Yancey	14934	16389	17822	9.7	8.7	3586	3466	3719	-3.3	7.3	9240	10336	11206	11.9	8.4	2108	2587	2897	22.7	12.0

Economic, Education, Health & Housing Indicators by County

	Per Capita Income ($)		% of Farm Operators with 100 Days off Farm	Service	Manufacturing	Agriculture	Unemployment Rate		% Change in Employment		Less than 9 Years of School	12 or More Years of School	Local Expenditures Per Pupil	Dropout Rate	% of Persons Below Poverty Level	% Female Headed HHS Below Poverty	Persons Per Physician	Infant Mortality Rate	% Houses w/ 1.01+ Persons Per Room	% of Housing without Plumbing
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]			[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
North Carolina	7783	10853	40.3	14.0	26.2	1.9	5.3	4.5	0.1	13.0	24.6	54.8	555.00	6.9	14.7	31.6	1596	12.50	4.2	3.8
Alamance	8025	11300	48.2	13.2	33.9	1.1	4.4	3.8	1.1	27.3	23.2	54.0	518.56	7.1	10.2	22.5	1796	12.74	3.5	3.7
Alexander	7195	10400	49.3	5.4	35.0	2.4	4.4	3.4	-3.6	19.4	33.3	43.9	350.25	5.8	8.7	20.1	2963	11.28	4.0	4.1
Alleghany	6380	8755	43.7	9.3	23.8	6.6	5.4	6.4	-1.1	13.3	39.2	38.5	391.64	5.3	19.4	21.3	2427	6.08	3.2	6.0
Anson	6175	8784	43.3	5.0	34.9	3.5	7.0	4.9	-4.9	0.8	29.6	46.9	352.91	6.6	16.0	31.0	3287	18.20	9.6	11.1
Ashe	5641	8185	44.0	6.3	25.7	4.3	7.2	5.9	-1.4	14.6	38.4	41.0	346.22	6.6	22.7	36.3	2342	9.29	3.5	10.0
Avery	5603	7917	49.5	22.3	9.2	3.4	6.9	5.9	11.2	34.0	32.2	49.6	366.64	8.8	16.9	25.4	1251	5.20	4.7	6.5
Beaufort	7223	9187	30.9	10.4	28.7	4.8	8.4	8.0	--5.6	-5.3	28.3	50.5	339.15	4.1	20.9	43.7	2167	10.15	5.2	8.3
Bertie	5786	8405	31.2	4.6	46.5	7.3	6.2	5.7	-4.0	10.7	37.2	37.9	258.08	6.4	29.4	39.3	7117	16.77	9.3	16.1
Bladen	5823	7591	33.4	6.7	25.9	4.4	10.1	8.6	-6.5	-3.0	33.2	43.9	403.02	6.2	25.3	48.0	2566	13.62	6.5	10.1
Brunswick	6367	8212	43.7	9.8	15.1	1.5	10.3	9.6	13.2	-8.7	26.7	51.5	565.09	7.4	19.7	41.9	2534	8.84	4.9	4.4
Buncombe	8014	11128	50.6	19.5	23.8	1.2	5.3	4.4	-0.2	9.2	20.6	59.4	663.11	6.7	12.6	27.4	1286	10.18	2.9	2.5
Burke	7208	10233	58.3	8.4	43.1	0.8	3.9	3.3	17.4	12.4	31.4	46.0	459.28	7.3	9.7	21.6	1610	10.79	4.0	3.0
Cabarrus	8172	11573	60.7	7.0	32.3	0.8	5.2	4.0	12.6	10.6	27.4	49.0	438.64	7.7	9.2	22.6	2306	10.42	4.2	2.0
Caldwell	6792	9617	54.7	7.3	44.2	0.7	4.9	3.6	0.5	13.9	32.0	44.4	424.38	9.2	10.3	22.1	2009	9.51	5.0	3.8
Camden	6239	8673	31.3	3.8	2.6	5.5	4.7	4.3	-2.1	-3.0	17.9	44.6	484.39	10.0	16.1	25.5	5820	5.74	5.5	11.3
Carteret	6918	9095	47.0	12.7	10.2	1.1	5.9	7.1	9.9	23.5	20.1	57.1	426.57	8.2	13.7	32.9	1952	11.07	2.8	1.7
Caswell	5506	7510	39.5	3.3	9.1	6.3	6.9	5.2	-3.3	25.2	35.3	41.0	273.54	6.8	19.1	40.3	11224	9.49	7.3	11.8
Catawba	8471	11812	52.4	12.0	61.2	0.8	5.0	3.6	-3.8	18.7	23.9	51.8	472.21	7.4	8.1	19.2	1761	13.86	3.6	1.8
Chatham	7922	11605	48.6	6.0	32.9	3.3	4.4	3.6	-5.6	32.0	24.5	51.5	576.70	6.4	9.1	25.9	2529	11.91	4.1	8.9
Cherokee	5200	7241	49.8	7.6	32.0	1.5	8.5	6.8	-3.7	26.5	37.4	43.6	286.75	6.4	22.1	24.8	1350	7.23	4.3	6.4
Chowan	6276	9186	28.2	16.4	25.6	5.4	4.1	4.1	-2.1	10.8	32.5	45.1	593.27	4.6	23.7	50.9	1464	16.55	5.1	6.9
Clay	5329	7202	45.7	5.1	16.4	5.1	5.5	5.4	-3.1	24.8	32.4	46.4	229.10	5.2	22.8	22.4	3514	5.14	3.6	5.8
Cleveland	7311	9965	59.6	11.5	34.5	1.2	5.7	4.2	-8.6	12.8	28.5	47.4	463.09	5.5	12.9	28.4	2053	14.65	5.0	3.4
Columbus	5981	7941	34.5	10.4	26.8	5.8	8.4	6.7	-5.1	4.9	33.1	44.2	371.94	6.5	26.1	42.6	2172	14.96	6.0	8.4
Craven	7289	10055	33.2	12.1	13.2	2.1	4.9	4.7	7.3	3.2	20.5	60.9	500.34	7.8	17.3	48.4	2208	13.64	4.0	4.4
Cumberland	6713	9523	41.0	13.8	12.7	0.9	6.0	5.4	0.9	27.3	14.6	69.6	561.92	5.7	15.5	46.0	2747	13.09	4.8	1.7
Currituck	6558	8576	28.6	3.5	1.4	2.3	2.6	2.4	-14.0	78.9	24.4	50.4	580.50	7.0	18.0	37.2	4307	19.08	4.2	6.0
Dare	6512	8692	60.0	15.9	2.6	0.4	4.4	4.0	31.5	57.6	15.7	64.7	733.99	7.3	11.2	21.4	2468	7.32	3.1	2.1
Davidson	7820	10723	50.4	5.6	32.4	1.0	5.9	3.3	--0.8	14.5	27.3	47.2	360.34	6.0	10.5	22.7	2695	10.95	4.0	2.3
Davie	7853	10882	50.5	3.4	22.3	1.8	5.3	4.8	26.0	12.6	25.4	50.5	426.41	5.8	10.8	25.0	3079	10.46	3.3	3.6
Duplin	6352	8971	33.0	5.4	24.8	9.2	7.5	6.3	-7.5	18.4	30.5	43.7	299.73	6.7	22.9	41.1	2082	15.29	5.6	8.5
Durham	8838	12471	41.1	34.7	29.1	0.5	3.7	3.1	2.5	7.7	18.4	65.1	972.54	8.0	13.4	27.4	575	14.36	3.9	1.3
Edgecombe	7339	9863	22.2	8.0	22.4	3.3	6.8	6.4	-0.5	1.4	31.2	45.6	442.08	8.0	20.0	37.7	2544	16.48	9.2	8.3
Forsyth	9931	13794	55.7	21.2	29.6	0.5	4.7	3.8	.0	11.5	18.8	62.7	878.00	4.5	11.2	27.4	1003	14.00	3.0	1.0
Franklin	6147	8604	38.0	5.3	14.4	3.2	6.3	6.2	56.0	-5.4	32.8	43.2	369.07	7.8	19.6	34.6	4096	15.64	6.9	14.6
Gaston	7968	10925	52.8	8.3	38.3	0.4	5.0	3.7	-6.7	11.2	30.9	46.1	379.67	7.4	10.3	23.9	2493	13.47	5.1	1.6
Gates	6023	9192	36.3	3.6	6.5	5.5	2.9	3.2	7.4	16.6	31.6	42.9	404.76	4.8	19.5	36.6	4698	15.94	8.4	20.2
Graham	6134	7355	43.1	3.7	25.7	1.8	29.0	19.0	-33.1	-22.5	37.7	40.0	422.22	8.5	19.6	40.5	1798	4.37	4.8	4.8
Granville	5982	8592	32.9	7.0	27.2	3.6	5.8	5.4	14.7	11.9	32.0	44.4	371.01	5.9	15.9	26.9	1835	15.05	7.9	14.3
Greene	6842	9165	16.5	4.9	10.8	10.5	4.9	4.8	0.4	2.3	15.6	42.5	375.13	7.9	24.9	38.8	4136	14.89	8.8	18.7
Guilford	9576	13201	44.0	20.5	32.4	0.7	4.3	3.6	-1.3	13.3	18.5	63.3	925.56	5.3	10.7	26.7	1493	12.92	3.4	1.4
Halifax	5645	7865	27.0	9.0	25.8	4.9	8.0	6.4	-0.8	1.9	36.5	42.6	381.67	10.1	28.9	49.5	2665	15.09	9.2	15.5
Harnett	5953	8179	35.7	11.2	16.6	4.2	6.5	6.1	-3.8	8.4	15.1	47.4	314.59	6.7	18.5	37.1	2744	12.46	5.3	5.5
Haywood	7265	10141	51.3	11.2	22.2	1.7	6.6	6.0	-2.2	21.6	26.8	51.6	564.65	7.2	15.4	29.5	1775	9.09	3.8	3.4
Henderson	8538	12238	39.7	12.3	21.2	2.5	4.8	4.0	6.9	15.1	20.2	61.5	534.96	6.4	12.2	25.6	1656	9.30	2.8	2.0
Hertford	6256	8342	22.9	18.0	27.1	4.3	7.6	7.3	-6.6	-15.4	34.9	45.5	461.79	7.7	23.2	42.6	1710	10.94	8.1	12.9
Hoke	4983	6349	32.5	3.7	35.1	2.1	6.9	5.7	0.1	31.0	30.0	47.5	360.26	5.9	20.2	37.4	3226	12.65	11.2	7.9
Hyde	5519	7451	27.2	7.4	11.4	10.9	11.4	10.8	-19.1	-11.4	3.0	42.5	666.0	4.8	28.2	43.5	1990	18.32	6.3	12.5
Iredell	7532	10560	49.6	9.7	33.3	2.2	5.0	4.0	-2.3	30.5	25.3	50.1	495.96	7.3	10.0	24.6	2032	10.40	4.2	2.4

Economic, Education, Health & Housing Indicators by County

	Per Capita Income ($)		% of Farm Operators with 100 Days off Farm	Service	Manufacturing	Agriculture	Unemployment Rate		% Change in Employment		Less than 9 Years of School	12 or More Years of School	Local Expenditures Per Pupil	Dropout Rate	% of Persons Below Poverty Level	% Female Headed HHS Below Poverty	Persons Per Physician	Infant Mortality Rate	% Houses w/ 1.01+ Persons Per Room	% of Housing without Plumbing
	1980	1984	1980	1986	1986	1986	1986	1987	1980-1983	1983-1986	1980	1980	1984-1985	1985-1986	1980	1980	1982	1982-1986	1980	1980
Jackson	6062	8470	51.2	13.6	8.4	1.6	7.0	5.9	5.6	-14.8	30.0	52.7	392.01	6.0	17.0	28.8	1350	15.55	3.7	4.9
Johnston	6873	9388	36.4	7.4	24.0	5.4	5.4	4.9	-10.2	17.4	31.9	46.6	401.90	6.6	17.8	33.8	3074	10.35	4.4	5.0
Jones	5965	7627	32.7	4.5	9.2	9.9	4.7	4.4	2.2	13.1	19.9	41.8	336.44	7.0	21.7	38.0	1632	18.20	7.2	10.6
Lee	8168	11046	44.7	10.2	34.8	1.5	8.0	6.6	-2.5	8.3	22.7	56.9	534.64	5.9	13.4	28.0	1354	14.28	4.1	4.1
Lenoir	7323	9539	25.6	13.1	28.0	4.2	6.4	5.2	-1.9	-0.9	27.6	52.2	488.73	6.6	19.2	42.0	1730	15.38	5.7	6.7
Lincoln	7627	10687	53.3	3.4	26.4	1.1	5.4	3.8	18.6	11.1	28.4	46.9	374.12	7.3	9.6	22.7	2404	11.64	4.6	4.0
Macon	6595	9112	50.8	11.3	11.7	1.5	5.4	5.4	-6.8	17.1	30.4	52.4	475.37	5.9	17.2	30.7	1443	10.89	2.9	4.6
Madison	5578	7604	41.6	12.9	9.3	5.9	6.7	6.1	5.9	-20.6	37.8	41.6	223.91	8.9	24.4	23.1	2458	10.90	4.4	16.4
Martin	6881	9188	26.0	7.5	35.2	7.8	7.3	6.2	-10.5	4.8	34.0	44.8	634.34	6.0	23.8	45.1	2052	14.20	7.6	10.1
McDowell	6994	9195	54.3	8.0	56.6	0.9	7.3	4.8	-6.8	-13.2	31.6	46.2	301.97	8.5	11.6	22.7	2269	14.69	4.6	4.4
Mecklenburg	10049	14099	56.8	27.1	19.5	0.5	3.9	3.3	-5.3	17.4	13.3	69.3	973.36	7.5	10.7	28.2	1503	11.68	3.7	0.9
Mitchell	6447	9204	50.8	9.5	30.5	1.8	7.7	7.2	1.1	6.6	37.4	43.1	385.58	6.8	16.8	32.4	911	7.36	3.5	6.8
Montgomery	6215	8949	48.3	6.1	55.6	1.6	4.5	4.1	1.4	12.5	31.5	42.3	328.41	8.0	14.0	29.1	2164	15.50	6.2	8.2
Moore	8186	11536	45.8	20.4	22.7	2.9	4.4	3.6	-2.2	18.2	22.1	58.3	591.57	6.5	13.4	32.8	1770	10.84	3.9	5.4
Nash	7908	11569	30.8	15.5	38.9	3.5	5.7	5.5	-0.3	6.7	29.1	50.3	469.58	7.2	19.7	38.4	1648	18.29	6.3	9.5
NewHanover	8190	10794	48.2	17.3	15.1	0.4	6.5	6.2	4.1	25.5	16.0	64.9	629.15	7.9	14.8	38.7	1306	10.72	2.8	1.0
Northampton	4751	6892	32.8	8.4	15.5	6.8	7.3	6.2	-9.3	7.6	40.3	36.0	330.01	5.7	27.1	47.4	3197	8.27	9.3	15.5
Onslow	5899	9512	38.8	10.4	8.3	1.1	4.1	3.6	7.1	32.9	16.0	66.4	406.79	5.5	13.6	48.5	4719	12.32	4.1	1.6
Orange	8463	12158	45.6	11.7	6.2	1.0	2.7	2.7	2.1	8.4	14.6	73.6	958.73	5.0	13.2	21.7	386	11.40	2.8	2.9
Pamlico	6792	9262	30.5	3.7	11.6	4.3	6.0	4.8	4.9	8.4	23.9	48.0	371.78	7.1	20.6	46.9	2752	16.36	4.7	11.4
Pasquotank	7159	10094	23.4	13.2	10.5	2.6	4.1	3.8	-0.3	4.9	27.7	51.1	482.23	6.7	16.8	43.8	1278	12.21	4.0	4.7
Pender	6242	8159	47.5	5.0	4.5	3.4	7.8	7.0	-2.7	30.9	26.1	47.4	420.47	7.4	20.9	44.4	4886	13.84	6.1	8.3
Perquimans	5667	8736	24.2	4.8	14.1	9.9	4.8	3.9	-12.3	39.5	33.0	41.5	442.44	8.2	24.0	51.1	5166	7.16	5.0	9.5
Person	6409	8931	35.1	6.7	33.0	3.3	8.5	8.5	0.1	6.8	32.8	45.4	591.65	5.4	16.4	35.0	3027	11.75	6.2	9.3
Pitt	7657	9888	24.0	11.2	16.8	3.5	4.3	3.7	3.9	10.2	25.5	56.8	557.25	6.4	21.7	41.3	1043	13.86	5.7	5.6
Polk	8820	12234	59.1	19.4	18.8	2.5	3.2	2.7	8.5	2.0	24.8	58.5	610.19	6.8	13.5	27.2	1311	12.57	3.5	5.0
Randolph	7880	11038	47.5	5.3	38.6	1.4	3.6	3.1	-0.1	219.6	28.7	46.6	383.50	8.8	8.9	18.5	3606	9.88	3.2	3.6
Richmond	6355	8585	41.7	8.7	30.1	1.6	6.9	6.4	-4.3	0.2	32.1	46.4	292.17	7.2	14.9	32.9	3078	16.13	5.6	5.8
Robeson	5437	7312	32.5	9.3	30.7	4.0	9.9	7.7	-3.5	2.9	72.7	44.4	279.70	7.9	24.5	43.3	2526	14.10	10.0	8.1
Rockingham	7551	10142	40.9	8.8	38.0	2.0	7.6	5.7	-5.8	6.6	31.5	44.6	459.46	8.3	12.7	27.8	2442	12.02	5.4	4.6
Rowan	7863	10901	52.6	8.2	25.6	0.9	6.1	4.4	10.2	7.0	26.5	49.4	461.26	7.1	9.4	22.4	2071	9.69	3.4	1.7
Rutherford	6913	9630	58.7	8.4	38.2	0.8	6.3	4.7	2.2	6.2	31.4	44.9	464.4	8.2	13.5	25.9	2592	10.43	4.3	3.7
Sampson	6646	8769	33.6	6.7	21.8	8.3	9.4	7.4	-1.0	-5.8	29.9	45.7	452.57	6.5	21.0	37.2	2016	13.13	6.2	7.8
Scotland	6715	8662	35.1	13.4	54.7	1.5	7.4	6.1	-0.9	4.2	31.2	47.8	471.77	11.5	16.7	36.5	1682	15.42	8.0	5.8
Stanly	7530	10626	57.6	8.4	39.9	1.6	5.8	5.1	-4.3	21.3	28.5	46.4	444.16	7.7	10.3	25.2	2185	7.02	3.6	2.5
Stokes	7064	9831	44.8	2.1	8.1	2.8	6.4	5.5	0.8	3.6	31.7	44.9	509.42	6.4	12.5	19.2	4424	11.93	4.7	7.4
Surry	7386	10206	39.8	7.7	50.3	3.5	6.1	5.0	-5.3	14.7	36.2	41.0	483.08	5.9	13.5	24.2	2344	15.57	3.9	4.8
Swain	5808	7476	57.0	20.7	19.3	0.6	16.3	14.1	-3.0	8.6	29.6	44.5	481.73	8.5	25.4	34.8	1788	16.43	5.6	5.1
Transylvania	7675	10554	55.1	15.3	33.6	1.6	6.6	4.7	-0.5	0.2	23.2	59.3	444.85	6.1	12.5	22.4	1600	11.08	3.2	2.7
Tyrrell	7301	10089	32.9	3.6	8.6	11.5	16.5	15.3	-6.4	-0.9	20.4	35.8	515.15	5.7	25.2	22.8		9.96	7.1	11.6
Union	7813	11889	51.3	5.5	26.4	2.6	4.5	3.2	-4.5	10.3	22.3	52.8	437.19	9.4	10.0	26.1	2792	12.45	5.2	4.1
Vance	6751	9157	34.0	14.0	35.0	2.4	7.7	7.7	-2.2	5.7	33.0	43.3	361..09	6.3	20.6	45.6	2130	17.43	8.0	9.6
Wake	9850	14236	37.4	21.2	11.8	0.8	3.0	2.8	5.0	21.9	13.0	72.5	742.91	6.8	9.4	23.3	1476	13.94	3.1	2.0
Warren	5862	8347	37.4	9.0	17.1	3.5	6.3	4.9	-4.4	33.5	36.4	37.4	397.89	7.7	30.1	45.3	8218	20.44	8.9	19.8
Washington	7071	9929	40.5	6.2	12.0	6.6	6.4	5.8	-12.8	-8.7	30.1	47.5	356.21	4.2	21.4	46.7	2426	17.11	7.1	7.9
Watauga	6083	8476	51.0	14.5	8.1	2.1	3.8	3.4	3.8	6.4	25.9	60.1	463.92	7.1	19.7	22.8	1222	6.28	2.5	4.2
Wayne	6779	9326	28.9	12.1	19.8	3.8	6.1	4.8	-2.5	10.9	23.6	56.8	460.52	4.6	17.1	42.2	2058	11.81	4.5	3.7
Wilkes	7218	10067	44.9	7.4	30.2	2.6	4.5	3.6	2.1	6.7	36.1	43.4	304.38	7.3	13.7	25.1	2645	10.46	3.9	5.5
Wilson	8219	11025	25.0	14.8	24.7	3.3	9.1	8.9	-2.2	1.6	29.7	48.0	407.52	7.0	19.4	39.9	1571	10.91	6.5	5.8
Yadkin	7388	10805	42.4	4.3	14.1	4.5	4.7	4.2	-0.4	5.4	33.7	42.4	370.56	6.7	14.1	25.7	2260	9.37	2.9	4.4
Yancey	5246	7359	45.6	3.7	24.2	1.4	3.9	3.7	-6.9	89.7	36.7	43.0	296.16	8.1	23.1	33.5	1736	9.31	4.4	9.0

Glossary of Terms

General Terms

Metropolitan Statistical Areas: A Metropolitan Statistical Area (MSA) is a geographic area containing a large population center surrounded by adjacent communities having strong economic and social ties to that center. MSAs are defined in terms of whole county units, although they derive their names from one, two, or three central cities located within them. An area qualifies as an MSA in one of two ways: (1) if it contains a city of 50,000 or more inhabitants; or (2) if it has an urbanized area population of at least 50,000 with a city of at least 25,000 and a surrounding urbanized area with a density of 1,000 or more persons per square mile, provided that the total population of the metropolitan area is at least 100,000. In addition to the county or counties containing the central city, an MSA also includes adjacent counties which meet criteria of social and economic integration. An adjacent county qualifies if at least 75 percent of the resident labor force is nonagricultural, and at least 30 percent of the county's workers are employed in the central county. (U.S. Office of Management and Budget)

Demographic Profile

Population Change: Population change is the numerical change in population from one decade to the next decade. Percentage change is expressed as numerical change divided by the population of the earlier date (for example: (1990-1980)/1980)

Economic Profile

Per Capita Personal Income: Per capita income is calculated as total personal income divided by the mid-year resident population of the area. Total personal income is the sum of wage and salary disbursements, other labor income, proprietors' income (with inventory valuation and capital consumption adjustment), income of persons (with capital consumption adjustment), personal dividend income, personal interest income, and transfer payments, less personal contributions for social insurance. No adjustment is made for inflation. Total personal income reflects the income received by or on behalf of all the residents of the area from all sources (i.e., from participation in production, from transfer payments, from government and business, and from government interest). "Persons" consist of individuals, nonprofit institutions, private noninsured welfare funds, and private trust funds. (U.S. Department of Commerce, Bureau of Economic Analysis)

Civilian Labor Force: The total number of employed and unemployed persons 16 and older excluding military personnel.

Employed: All persons 16 and older who work for pay or profit, or worked without pay for 15 hours or more per week in a family farm or business. (Employment Security Commission, Labor Market Information Division)

Unemployed: All persons 16 and older who did not work at all but were able, available, and looking for work. Includes all jobless persons looking for work, regardless of whether or not they qualify for unemployment insurance benefits.

Unemployed Rate: The number of unemployed divided by the civilian labor force.

Agricultural Employment: All operators, managers, unpaid family workers, and other hired workers on farm establishments, including domestic workers in farm households.

Percentage Employed in Agriculture: The number of people employed in agriculture divided by the total civilian labor force.

Percentage of Farm Operators Working 100 or More Days Off the Farm: The number of operators (persons that are categorized by the census as the primary operators) who work on farms (defined as any place which sells $1000 or more of agricultural products during the census year), and who work 100 or more days off the farm.

Percentage Change in Employment: This was calculated over two time periods to reflect the recessionary period at the end of the 70's and the beginning of the 80's, and the beginning of the recovery since 1983. The rate of change is calculated by subtracting employment totals in the first year of the period from employment totals in the last year of the period and dividing by the first year employment totals. The calculations for the two time periods are as follows: (1983-1980)/1980 and (1986-1983)/1983.

Manufacturing Employment: Includes all people employed in the manufacture of food and kindred products, tobacco manufacturing, textile mill products, apparel and other finished products made from fabrics, lumber and wood products (except furniture), furniture and fixtures, paper and allied products, printing/publishing and allied industries, chemicals, and allied products, petroleum refining and related industries, rubber and miscellaneous plastic products, leather and leather products, stone, clay, glass, and concrete products, primary metal industries, fabricated metal products, machinery (except electrical), electrical machinery, equipment, and supplies, transportation equipment professional scientific and controlling instruments, miscellaneous manufacturing industries.

Percentage Employed in Manufacturing: The number employed in manufacturing divided by the civilian labor force.

Service Industry Employment: Includes people employed in business and repair services, personal services (excluding domestic services (including legal and medical), engineering, and private institutions (private schools, etc.).

Percentage Employed in Service Industry: The number employed in service industries divided by the civilian labor force.

Poverty Levels: A person or family is classified as being above or below the poverty income level according to a definition of poverty income level originated by the Social Security Administration in 1964 and subsequently modified by a Federal Interagency Committee in 1969. At the core of this definition is a nutritionally adequate food plan ("economy" plan) designed by the Department of Agriculture for "emergency or temporary use when funds are low." The average poverty threshold for a family of four persons was $7,412 in 1980.

Percentage of Persons Below Poverty: The number of persons below the poverty level divided by the total population.

Percentage of Female-Headed Households Below Poverty: A household includes all the persons who occupy a group of rooms or a single room which constitutes a housing unit. Female-headed households are single parent households with females as the designated householder. The percentage below poverty is the number of female-headed households below the poverty level, divided by the total number of female-headed households.

Education Profile

Percentage of Population 25 Years and Older with 12 or More Years of School: Calculated by dividing the number of people 25 years and older with 12 or more years of school by the number of people 25 years and older.

Percentage of Population 25 Years and Older with Less than 9 Years of School: Calculated by dividing the number of people 25 years and older with less than 9 years of school by the number of people 25 years and older.

High School Dropout Rate: Calculated by dividing the number of dropouts by the high school average daily membership. A dropout refers to a student who leaves a school for any reason except death, before graduation or completion of a program of study and without transferring to another school. Estimated annual dropout rates are estimated from information supplied to the Department of Public Education by local school systems throughout N. C. Because a significant number of students drop out during the summer months when school is not in session, the annual dropout rate must be estimated. Precise dropout statistics require an individual follow-up of students leaving school prior to graduation to determine their individual status. While some high schools conduct such follow-up studies, the vast majority do not.

Local Expenditures (County/City/Local) per Pupil: Calculated by dividing local expenditures by average daily membership. Local expenditures are drawn from resources available to the county which include county-wide property tax, other district property taxes, fines, excise stamp tax, A.B.C. store profits, beverage tax, revenue in lieu of property taxes, license tax, intangibles tax, revenue sharing, and proceeds of bond sales. Local expenditures do not include expenditures for adult education, community services, capital outlays, transfers and refunds. However, they include an estimate of the school food service expenditures financed by local government funds.

Health & Housing Profile

Number of Persons per Physician: Calculated by dividing the total population by the number of physicians. Primary care physicians refer to active federal and nonfederal physicians in general or family practice, internal medicine, pediatrics and obstetrics/gynecology.

Infant Mortality Rate: The average number of infant deaths over a five-year period from 1982-1986 divided by the average number of live births and multiplied by 1000. Infant death refers to the death of a live-born infant under one year of age. Live birth refers to the complete expulsion or extraction from the mother of a product of conception, irrespective of the duration of pregnancy, which, after such separation, breathes or shows any other evidence of life, such as beating of the heart, pulsation of the umbilical cord, or any definite movement of voluntary muscles whether or not the umbilical cord has been cut or the placenta is attached.

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HAC REPORT

Published by the Housing Assistance Council, Inc., a nonprofit organization dealing with rural low-income housing needs.

The FmHA HOUSING PROGRAM IN FISCAL YEAR 1988:

"A YEAR OF ACHIEVEMENT"

Prepared by the

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Washington, D.C. 20005

November 1988

NOTE: This paper is prepared to assist rural housing program users and the public in assessing the operation of FmHA rural housing. Low-income housing advocates in states which do not fully use their allocations may want to learn the reason for underuse, and discuss remedies with the FmHA State Director and policymakers.

Program funds are allocated to each state by a formula based on measures of need. The resulting allocations may be considered administrative entitlements for the rural citizens of every state. Appropriations for 1988 were 46.1% of the 1979 level. With less than half the funds that had been available in 1979, every state should be able to use its share fully.

Housing Assistance Council

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FOREWORD

The title, "A Year of Achievement", is not lightly used. In FY88 FmHA used all of its major program appropriations for the first time in years. Total housing obligations exceeded those of FY87 by more than $129 million, and the number of units produced also increased. FmHA revised and improved several regulations. The Administration's FY89 budget would have replaced existing programs with 21,200 housing vouchers, but such efforts to eliminate the rural housing programs failed. The Housing and Community Development Act of 1987 significantly restricted prepayment of pre-December 21, 1979 Section 515 loans and legislated packaging as a use of loan funds for nonprofit organizations.

The FmHA Assistant Administrator for Rural Housing merits praise for expanding the policy of consulting with all elements of the rural housing industry - builders, developers, nonprofit organizations and advocates - before issuing or considering proposed rules. More important, he frequently initiated contact with program users rather than waiting for lobbying efforts or complaints. He and his staff have worked to make the rural housing programs more flexible and usable by eligible applicants. Conditions may not be perfect but Ronnie Tharrington and other responsible FmHA staff have pointed program management in a positive direction.

HAC also salutes the FmHA State Directors and staff in Maine and Vermont. These were the only states to use or exceed their allocations in all of the relevant housing programs. Maine FmHA makes a habit of full use, and actually obligated 364.5% of allocated funds in FY88.

It is a pleasure to begin this fiscal year's analysis with praise for FmHA. Lest our readers think HAC is so taken with FmHA's recent performance that we would not encourage further improvement, rest assured. HAC will continue to support FmHA's programs and its direct delivery system, but will not abandon its role as critic. We will continue to point out to the agency those rulings and actions which we consider to be unfair to the intended beneficiaries of the rural housing programs.

HAC is pleased to provide the following information on FmHA's performance in FY88.

INTRODUCTION

This paper examines the Farmers Home Administration's FY88 rural housing appropriations and obligations on a national and state-by-state basis, and compares FmHA's FY88 performance to that of FY87. The issues of FmHA housing production, servicing initiatives, targeting, and prepayment of Section 515 loans are explored. A comprehensive package of statistical data is included to provide details such as obligations by state, minority participation, single-family housing delinquency, single-family housing inventory by state, and production measures based on the number of FmHA offices and staff. Finally, HAC provides some recommendations for improving rural housing programs.

GENERAL OVERVIEW OF THE FmHA 1988 RECORD

FY88 was a year of improved performance (see Table 1: Rural Housing Obligations, and Table 2: Rural Housing Obligations and Unused Funds FY87 and FY88). Of the total amount appropriated 99.9% was obligated. Of the $7.66 million unspent $0.455 million was set aside for Section 509(c) compensation for construction defects, a use for which carryover of funds should be positive. In FY88 $129.3 million more was obligated than in FY87. More important, and despite inflation, there was an increase of 1,995 units.

A major change from previous years was full use of the Section 502 very low-income appropriation of which $36.2 million was transferred for low-income use. While income limits for very low-income (VLI) households were raised in FY88, the increased VLI use from-30.3% to 37.0% of total Section 502 funds-was a major, positive thrust. Nevertheless, HAC still proposes a major improvement to the VLI program, See recommendations, page 25.

FmHA has made and proposed changes to a wide range of regulations covering but not limited to Section 515 rental housing loan processing, environmental procedures, Section 504 VLI loans and grants, sale of inventory property, a partial rollback of Section 502 cost containment requirements, and prepayment of pre-December 21, 1979 Section 515 loans. Because of the number of regulation changes pending and scheduled for publishing in FY89, a separate section on the subject is included.

Other highlights and low lights:

- 54.6% of all rental and ownership units produced or rehabilitated were for very low-income households;

- Obligations in Maine and Vermont exceeded allocations for every program;
- Maine led the states in proportionate use (364.5%) of total allocations;
- California led in total obligations, amounting to $107.6 million for the state;
- The Western Pacific Trust Territories exhibited the highest loan per county office ratio;
- 100% of appropriated funds were obligated in Sections 502, 504 Grant, 516 Farm Labor Housing Grant, 515, 521 Rental Assistance and 533 Housing Preservation Grant programs;
- Only 22 Section 523 T.A. grants were made, representing 71.9% of the appropriation and far less if carryover funds from previous years are taken into account;
- Only 66% of Section 504 loans obligated;
- None of the Section 523 or Section 524 site development funds were used.

Because the budget deficit and process continues to have a negative impact on the availability of rural housing funds, HAC has added a small separate section recommending that housing programs for the poor be given safety net status, and exempted from budget reductions.

The FY88 record indicates that FmHA is once again prepared to handle an increase in housing program appropriations. In most states FmHA's applications were processed and ready for funding, but exceeded the supply of funds at year's end.

TABLE 1

Farmers Home Adminstration
Rural Housing Obligations FY 1988
Use Through September 30, 1988
(Dollars in Thousands)

Program Obligated	Appropriation	Obligation 9/30/88 (a)	Percentage Obligated
502 Low Income Subsidized	760026	781704	105.3%
502 Unsubsidized	(b)	18688	
502 Very Low Income Subs.	506684	470512	92.9%
504 Loans	11330	7555	66.7%
504 Grants	12500	12500	100.0%
509(c) Compensation	713	258	36.2%
514 FLH Loans	11480	11372	99.1%
516 FLH Grants	9513	11297	118.8%
515 Rural Rental Hsg.	554900	554935	100.0%
521 Rental Assistance (c) (d)	275310	275302	100.0%
523 Self Help T.A.	8000	5755	71.9%
523 Site Loans	500	0	0.0%
524 Site Loans	570	0	0.0%
533 Hsg. Preservation Grants	19140	19140	100.0%
TOTALS:	2170666	2169018	99.9%

(a) 100.0 % of fiscal year completed

(b) Congress authorized use of unspecified, but limited, 502 funds for loan servicing purposes. $5,000 earmarked for low income unsub. loans

(c) $160310 for 14511 renewal and servicing units. $115000 for 9949 new section 515 units and 461 new section 514/516 farm labor units.

(d) 9589 renewal and 5021 servicing of 14511 renewal and servicing units. 10311 of 10410 new units. (99 FLH units transfered to servicing.

Source :FmHA Report Code 205A and 205F

TABLE: 2 FmHA Rural Housing Obligations and Unused Funds FY 1987 and 1988

(Dollars in Thousands)

Program	Dollars Obligated		Unused Funds	
	1987	1988	1987	1988
Sec. 502 Low Income	$797,256	$ 800,392	$ 6,624	$ 0
Sec. 502 Very Low Income	347,165	470,512	188,755	0(1)
Sec. 504 Loans	5,852	7,555	5,483	3,775
Sec. 504 Grants	12,498	12,500	2	0
Sec. 509(c) Comp.	241	258	472	455
Sec. 514 FLH Loans	10,686	11,372	798	108
Sec. 515 RRH	554,899	554,935	1	0(2)
Sec. 516 FLH Grants	7,582	11,297	2,235	0(3)
Sec. 521 Rental Asst.	275,305	275,302	5(4)	8(4)
Sec. 523 Self Help TA.	8,398	5,735	5,386	2,245
Sec. 523 Site Loans	500	0	0	500
Sec. 524 Site Loans	200	0	374	570
Sec. 533 Presv. Grants	19,140	19,140	0	0
TOTALS:	$2,039,722	$2,169,018	$210,135	$ 7,661

(1) $36,172 tranferred and used in 502 low-income program

(2) Obligation exceeded appropriation by $35

(3) Appropriation $9,513. An additional $1,784 carryover used.

(4) Unused R.A. funds fewer than needed for a 1-unit contract.

THE FY88 RECORD, BY PROGRAM

The obligation rates for each FmHA housing program in FY88 are discussed below (See Appendix C for state-by-state results and Appendix O for a brief description of each program).

Section 502 Home Ownership Loans

Available $1,266,710,000
Unspent: $ -0-

Actually obligations exceeded the appropriations by $4,194,060, a dramatic turn-around from FY87 when $195,379,270 remain unspent. The FY88 appropriation was $73,090,000 lower than the level in FY87 but FmHA apparently could have spent considerably more than its appropriation. The fact that very low-income loans consumed 38.0% of Section 502 funds, an increase from 30.3% in FY87, is noteworthy. Across states, use of the funds continues to be very uneven. Tables 3, 4 and 5 rank states with the highest and lowest proportionate use of funds. Table 6 is a map illustrating very low-income use by percent of total Section 502 funds and by percent obligated of each state's very low-income allocation. Table 7 is a map showing the average initial loan for new and existing dwellings.

TABLE 3: Percentage of Section 502 Allocated Funds Used

Highest 5		Lowest 5	
Rhode Island	456.7%	U.S. Virgin Islands	38.6%
Massachusetts	440.9%	Kansas	40.1%
Maine	370.7%	Indiana	43.5%
New Jersey	337.2%	Texas	50.4%
Vermont	313.9%	Alaska	50.9%

TABLE 4: Percentage of Total Section 502 Obligated Funds Used for Very Low-Income Households

Highest 5*		Lowest 5	
Arizona	54.3%	South Dakota	18.0%
Mississippi	53.6%	North Carolina	18.4%
US Virgin Islands	49.9%	Connecticut	19.5%
West Virginia	44.6%	Vermont	22.2%
New Jersey	42.4%	Rhode Island	23.4%

* Puerto Rico receives no low-income formula allocation but 99.9% of its funds were used for very low-income households.

TABLE 5: Percentage of Section 502 Very Low-Income Allocation Used

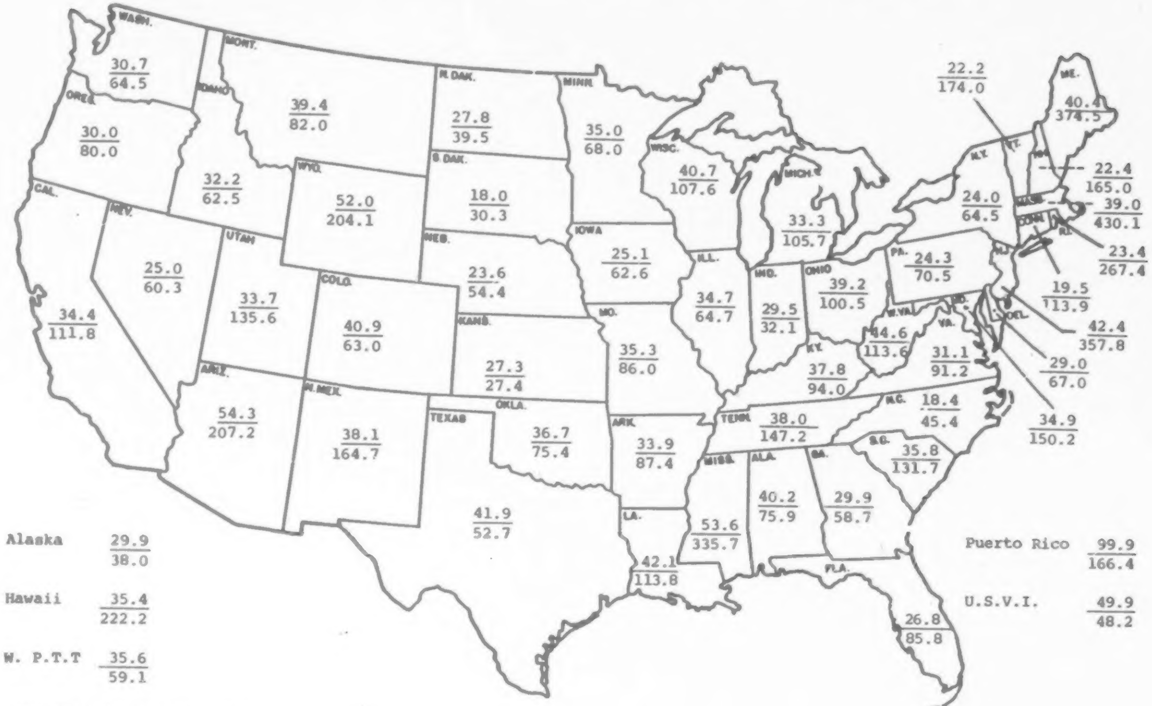
Highest 5		Lowest 5	
Massachusetts	4[illegible]0.1%	Kansas	27.4%
Maine	3[illegible]4.5%	South Dakota	30.3%
New Jersey	357.8%	Indiana	32.1%
Mississippi	335.7%	Alaska	38.0%
Rhode Island	257.4%	North Dakota	39.5%

While very low-income use has increased, part of that increase is attributable to expansion of the eligible population through higher income limits. Consider the average income and average initial loans for FY87 and FY88:

	FY87	FY88
Average Income	$ 12,739	$ 13,634
Average Initial Loan, New Dwelling	$ 44,610	$ 46,231
Average Initial Loan, Existing Dwelling	$ 43,000	$ 45,199

HAC has recommended use of deferred mortgage loans for those with incomes below 50% of median as a means of improving targeting of the very low-income funds, and to ensure full use, even with inflation in housing costs.

TABLE 6: Percentage of Total Section 502 Funds Used for Very Low-Income
Percentage of Section 502 Very Low-Income Allocation Obligated


WASH. $\frac{30.7}{64.5}$
OREG. $\frac{30.0}{80.0}$
CAL. $\frac{34.4}{111.8}$
IDAHO $\frac{32.2}{62.5}$
NEV. $\frac{25.0}{60.3}$
MONT. $\frac{39.4}{82.0}$
WYO. $\frac{52.0}{204.1}$
UTAH $\frac{33.7}{135.6}$
ARIZ. $\frac{54.3}{207.2}$
COLO. $\frac{40.9}{63.0}$
N.MEX. $\frac{38.1}{164.7}$
N.DAK. $\frac{27.8}{39.5}$
S.DAK. $\frac{18.0}{30.3}$
NEB. $\frac{23.6}{54.4}$
KANS. $\frac{27.3}{27.4}$
OKLA. $\frac{36.7}{75.4}$
TEXAS $\frac{41.9}{52.7}$
MINN. $\frac{35.0}{68.0}$
IOWA $\frac{25.1}{62.6}$
MO. $\frac{35.3}{86.0}$
ARK. $\frac{33.9}{87.4}$
LA. $\frac{42.1}{113.8}$
WISC. $\frac{40.7}{107.6}$
ILL. $\frac{34.7}{64.7}$
MICH. $\frac{33.3}{105.7}$
IND. $\frac{29.5}{32.1}$
OHIO $\frac{39.2}{100.5}$
KY. $\frac{37.8}{94.0}$
TENN. $\frac{38.0}{147.2}$
MISS. $\frac{53.6}{335.7}$
ALA. $\frac{40.2}{75.9}$
GA. $\frac{29.9}{58.7}$
FLA. $\frac{26.8}{85.8}$
S.C. $\frac{35.8}{131.7}$
N.C. $\frac{18.4}{45.4}$
VA. $\frac{31.1}{91.2}$
W.VA. $\frac{44.6}{113.6}$
PA. $\frac{24.3}{70.5}$
N.Y. $\frac{24.0}{64.5}$
VT. $\frac{22.2}{174.0}$
ME. $\frac{40.4}{374.5}$
N.H. $\frac{22.4}{165.0}$
MASS. $\frac{39.0}{430.1}$
R.I. $\frac{23.4}{267.4}$
CONN. $\frac{19.5}{113.9}$
N.J. $\frac{42.4}{357.8}$
DEL. $\frac{29.0}{67.0}$
MD. $\frac{34.9}{150.2}$

Alaska $\frac{29.9}{38.0}$

Hawaii $\frac{35.4}{222.2}$

W. P.T.T $\frac{35.6}{59.1}$

Puerto Rico $\frac{99.9}{166.4}$

U.S.V.I. $\frac{49.9}{48.2}$

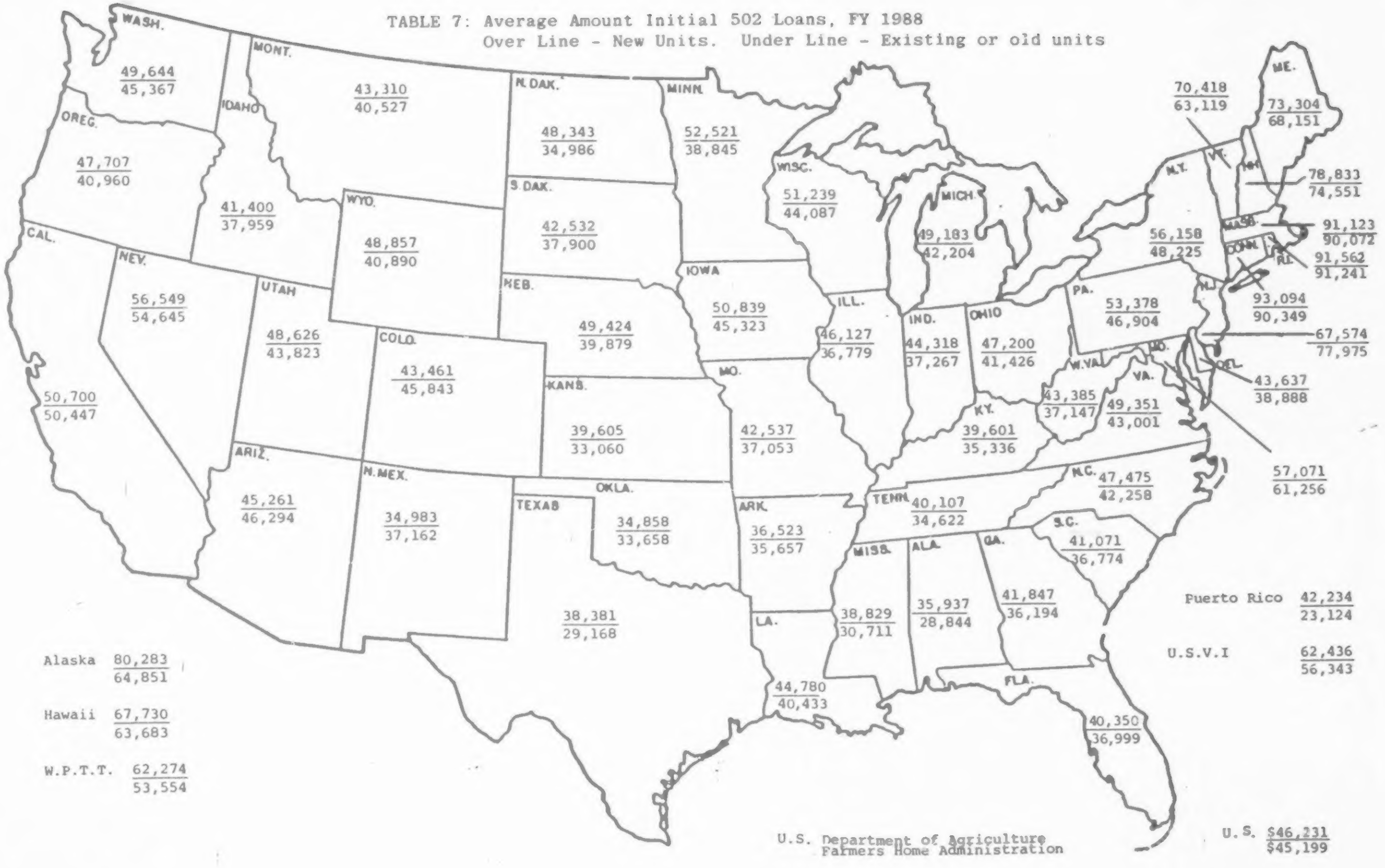
SOURCE: FmHA 205 Report

U.S. DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

U.S. $\frac{37.0}{92.9}$

FY 1988

TABLE 7: Average Amount Initial 502 Loans, FY 1988
Over Line - New Units. Under Line - Existing or old units



U.S. Department of Agriculture
Farmers Home Administration

Section 504 Very Low Income Loan and Grant Repair Program

Available for Loans	$ 11,330,000	
Unspent:	3,775,220	(33.3%)
Available for Grants	$ 12,500,000	
Unspent:	-0-	(0.0%)

Section 504 activity increased slightly. Loan obligations increased by $1.7 million over the FY87 level. Initial loans increased by 438, but the grant program (curtailed by appropriation limits) assisted 19 fewer households.

Only eight states, identified in Table 8, met or exceeded their loan allocations in FY88. Table 9 tracks the declining loan program since FY79. Organizations which wish to use the Section 504 loan program, which currently offers 1% 20-year loans to very low-income households (not restricted to the elderly), may want to consider a well-organized packaging effort and pressure on FmHA - particularly on the State Director.

TABLE 8: State Use of Section 504 Loan Allocations

Highest 8		Lowest 5	
Maine	342.4%	Alaska	0%
Mississippi	189.4%	North Dakota	0%
Kentucky	158.4%	US Virgin Islands	0%
W.Pacific T.T.	155.1%	Arizona	4.0%
Pennsylvania	148.5%	Montana	5.5%
Texas	140.1%		
Vermont	112.2%		
Iowa	109.7%		

TABLE: 9 Section 504 Loan Levels, FY79-FY88

	Dollars (Thousands)	Initial Loans
1979	$ 14,710	5,213
1980	21,924	6,934
1981	17,871	5,296
1982	10,044	2,771
1983	7,076	1,993
1984	7,174	2,057
1985	7,897	2,315
1986	6,992	2,018
1987	5,852	1,707
1988	$ 7,555	2,145

The grant program is more appealing to both FmHA and the public, particularly since it is restricted for use by the elderly. These funds are consistently used through repooling since some states do not use even such modest allocations. Examine Appendix C-2. If your state is not using its allocation, find out why -- and then do something about it.

TABLE 10: State Use of Section 504 Grant Allocations

Highest 5		Lowest 5	
W.Pacific T.T.	257.3%	Alaska	0%
Rhode Island	240.0%	Hawaii	0%
New York	195.0%	Montana	24.2%
New Mexico	189.9%	Massachusetts	30.0%
Maine	189.4%	Connecticut	30.4%

Section 514 (Loan) and 516 (Grant) Farm Labor Housing Program

Available for Section 514 loans	$ 11,480,000
Unspent:	$ 107,620
Available for Section 516 Grants	$ 11,221,300*
Unspent:	-0-

* 9,513,000 Appropriated

Lack of funds has curtailed the farm labor housing program, nationwide. During FY88 there were only 11 combination loan and grant projects which produced 363 units in seven states. An additional 38 units were produced solely by loans. Congress set aside 461 units of new rental assistance units for the 514/516 program, but only 362 were used.

In FY89 FmHA will change the grant: loan ratio in an effort to fully utilize the rental assistance units appropriated. Still, if this program is to have any impact on the need for 700,000 farm labor housing units Congress must seriously examine funding levels. In most states where farm labor projects are under consideration, FmHA has usually been supportive but local opposition is a critical factor (few communities want farm workers as residents). In North Carolina, FmHA has been the primary impediment to program use. The agency in that state has used almost every possible tactic to discourage, delay, impede, and reject applications. The North Carolina Council of Churches has sued FmHA and the case is still under consideration by the courts.

Section 515 Rural Rental and Cooperative Housing Program

Available	$ 554,900,000
Unspent:	-0-*

* $ 554,935,280 obligated

All available Section 515 loan funds plus $35,280 transferred from Section 514 were obligated. State-by-state data are contained in Appendix C-3. Twenty-six states met or exceeded their allocations, compared with eighteen in FY87. Demand is strong and competition will be severe in FY89 since allocations were reduced to permit a greater reserve, from $55,490,000 to $88,235,000, to provide for equity loans under the prepayment program. For example, New York used 192.0% of its FY88 allocation (and could have used more), but its allocation for FY89 is reduced by 5.7%.

TABLE 11: State Use of Section 515 Loan Allocations

Highest 5		Lowest 5	
Nevada	680.6%	Alaska	0%
Maine	365.0%	W. Pacific T.T.	0%
Delaware	364.0%	Hawaii	0.4%
Washington	287.7%	Massachusetts	0.7%
US Virgin Islands	272.3%	New Jersey	23.0%

The FY88 program produced 16,489 units at an average cost of $33,655 per unit. The number of units decreased from the level of 17,434 in FY87 and unit cost rose from $31,829.

Funds are limited and applicants are reminded that where preapplication weighted points are essentially equal, nonprofit and public applicants must be given preference. Also see (in the loan servicing section) opportunities for converting inventory to rental housing.

Section 521 Rental Assistance (RAP)

Available	$ 275,310,000
Unspent	$ 7,713 (0.0%)*

* Less than the contract amount ($11,047) for one unit.

As is the case each year, essentially all of the RAP funds have been obligated. The funds were used as follows:

o Renewal units	9,589
o Servicing units	5,021
o New project units (515)	9,949
o New project units (514/516)	362
Total Units	24,921

FmHA diverted more of the renewal funds to servicing to shore-up projects with extremely high vacancy rates. A substantial portion of this problem is concentrated in areas with economic difficulties caused by problems in agriculture and the oil and surface mining industries. Despite an increase in units serviced from 3,377 in FY87 to 5,021 in FY88, the number was only 47.8% of the 10,500 minimum HAC had predicted would be needed. The FY89 appropriation is essentially the same as FY88 with an additional $15,000,000 (1,357 units) to facilitate the nonprofit buy-out of prepaying Section 515 loans.

Section 523 Self-Help Technical Assistance Grants

Available (est.)	$13,476,000
Unspent	$ 7,721,307

FY88 was a disappointing year for the self-help program. Twenty-two grants (down from 38 in FY87) were made in twelve states. FmHA State Office opposition to existing self-help grantees was reported in Colorado and New Mexico, and problems between grantees and FmHA in Wisconsin may have affected the program in that state. Friction in Hawaii caused that state's only self-help organization to leave the FmHA program. This poor level of FmHA support for self-help is a concern not only because the rural housing programs historically evolved from self-help housing efforts, but also because of the savings and other benefits they produce.

Section 523/524 Site Loans

Available Sec. 523: $ 500,000
Sec. 524: $ 570,000

Unspent: Sec. 523: $ 500,000
Sec. 524: $ 570,000

The chronic difficulties with utilization of these two site development loan programs raises three questions:

(1) Does anyone ever apply for them?
(2) If so, why are loans not approved?
(3) Should the programs be terminated and the funds put to better use?

Section 533 Housing Preservation Grants (HPG)

Available	$ 19,140,000
Unspent:	-0-

HPG continues to be a popular program. This popularity should increase since FmHA has published notice it will revise the regulations to include rental units.

The FY88 program was active in 45 states and Puerto Rico. (The Virgin Islands and the West Pacific Trust Territories are not eligible for the program.) Grants numbered 155, resulting in 4,450 units. The average grant per household assisted was $4,301, down from $4,720 in FY87 and reflects increased leveraging of non-FmHA funds. See Appendix M for additional detail.

Targeting

Targeting was significantly enhanced in the Section 502 program. Table 12 tells the story. Total targeting in FY88 was 54.6%, an increase from 49.6% in FY87.

TABLE 12: FmHA Targeting

Program	Total Units(a)	Units Serving Very Low Income	Percent Very Low Income
Sec. 502 RH	26,203	10,062	38.4%
Sec. 504 Loans	2,145	2,145	100.0
Sec. 504 Grants	3,384	3,384	100.0
Sec. 514/516 FLH	421	421	100.0
Sec. 515 RRH	16,489	10,535(b)	63.9
TOTAL:(c)	48,642	26,547	54.6%

(a) Source: Initial loans from FmHA 205 report for Section 502 and 504, FmHA Special Authorities Branch for Farm Labor Housing, and a special AMAS run on units for Section 515.

(b) Units receiving FmHA and New York rental assistance. We had no record of other state RAP or private rental assistance.

(c) Section 533 grants approved in FY88 assisted an additional 4,450 families but there are no data on actual incomes served.

Serving Minorities

Service to minorities increased slightly in the Sections 502 and 504 programs (688 more loans and 0.2%) since FY87. Table 13 provides a statistical breakout for 1986-1988 and Appendix I shows the percent of loans to minorities, by state.

The FmHA multifamily computer systems are currently unable to update those data. (The system is being changed and should provide data for FY89.) The Appendix I provides caseload information, not FY88 activity, on Section 515 and is the same as that printed for FY87.

TABLE: 13 Sections 502 and 504 Loans by Race, Ethnic Group: A Comparison of FY86-88*

	Number of Loans			Percentages		
Race or Ethnic Group	1986	1987	1988	1986	1987	1988
White	28,618	26,296	27,962	74.2%	73.9%	73.7%
Black	5,416	5,140	5,673	14.0	14.4	14.9
American/Indian Alaska Native	184	173	180	0.5	0.5	0.5
Hispanic	3,273	3,131	3,276	8.5	8.8	8.6
Asian/Pacific Islander	1,093	856	859	2.8	2.4	2.3
TOTAL MINORITY	9,996	9,300	9,988	25.8	26.1	26.3
TOTALS:	38,584	35,596	37,950	100.0%	100.0%	100.0%

* States with the best percentage of service to minorities (excluding Hawaii and the Territories) are: New Mexico - 72.4%, Mississippi - 58.1%, South Carolina - 56.5%, Texas - 55.6%, and Arizona 52.6%.

While all of the Sections 502 and 515 funds were used nationwide, it should be noted that a number of states that failed to use their rural housing allocations have significant minority populations. The Appendices bear this out. Loans to Indians are a prime example. Consider the following:

State	Percent of 502 And 504 Funds Used	Number of loans To Indians, and Alaskan Natives
Alaska	49.7%	1
Colorado	61.4%	1
Idaho	76.8%	2
Minnesota	77.2%	2
Montana	81.9%	10
North Dakota	56.4%	1
Oklahoma	82.3%	39
South Dakota	67.0%	4
Washington	83.7%	5

Given the nature of housing need in the Native American community, the decline in state allocations of 50% or more over the past seven years, but a constant level of FmHA staffing, none of these states should have returned money to the pool. State housing coalitions and advocate groups should pressure FmHA to use and target allocated funds.

Prepayment of Rural Rental Housing Loans

Subtitle C of Title II of the Housing and Community Development Act of 1987 (P.L. 100-242, Feb. 5, 1988) limits the manner in which owners of pre-December 21, 1979 Section 515 (and Section 514) projects may prepay their mortgages. The law essentially provides three ways to deal with an owner's intent to prepay:

1. Incentives (502(c)(4)). FmHA is required to offer incentives to owners seeking to prepay to induce them to keep projects in restricted status for a new 20-year period. Incentives include an increase in the return on investment (now 8%), reduction of the interest rate, additional rental assistance, incremental rental assistance, or an equity loan of up to 90% of the value of the equity. FmHA may provide incentives only as the least costly alternative for preventing prepayment and tenant displacement.

2. Exceptions (502(c)(5)(g)). Certain owners may be permitted to prepay, after attempts to utilize incentives have been made, providing that either:

    (a) The borrower agrees to maintain the housing as low-income for 20 years from the date of the note and subsequently sells to a qualified nonprofit or public agency, or

    (b) FmHA finds that minority opportunities will not be materially affected and

        (1) There will be no displacement due to the change or due to an increase in rental or other changes, or

        (2) There is an adequate supply of affordable housing in the market area and sufficient action is taken to ensure rental housing is available to each tenant upon displacement.

3. Sale to Nonprofit Organizations and Public Agencies (502(c)(5)). If FmHA determines that no agreement can otherwise be forged to retain the housing in the program, and the project is not eligible for exceptions, FmHA must require the owner to advertise

the project for sale to a qualified nonprofit housing organization or public agency. If no bonafide offer is made within 180 days FmHA can accept the offer to prepay. The authorization limits to 5,000 the number of units which can be annually sold to nonprofits, and is subject to appropriations which cannot exceed that level. A sale may involve:

(a) Transfer of the existing loan;
(b) An equity loan;
(c) An advance to cover direct costs;
(d) Rental assistance or debt forgiveness;
(e) A requirement that tenants in such projects pay no more than 30% of income for rent including utilities; and
(f) Retention as low-income housing for the remaining useful life of the housing.

A nonprofit is generally defined as any private organization whose net earnings are not disbursed to the members and which has been approved for financial responsibility by the Secretary (or its delegate, FmHA). The broad nature of the definition has permitted limited-profit owners to form nonprofit corporations to purchase projects from their prepaying counterparts.

A qualified local nonprofit organization or public agency is (1) capable of managing or contracting management for the remaining useful life of the project and (2) obligated in an agreement to maintain the housing for low- and very low-income households for the remaining useful life of the housing and related facilities.

The law specifies that qualified local nonprofit organizations or public agencies have the first right to purchase. In the event the Secretary determines there is no qualified local organization he/she will require sale to an existing qualified national or regional nonprofit organization.

Subsequent transfers are restricted, during the remaining useful life of the housing.

Owners of 63 projects containing 2,705 units filed to prepay on May 23, 1988. Between May 23 and September 30 prepayment requests were filed for an additional 44 projects with 1,294 units, bringing the total to 107 projects and 3,999 units. During this period ten projects containing 174 units were permitted by FmHA to prepay. HAC and the California Coalition for Rural Housing Project are attempting to monitor prepayment activity. During the course of monitoring HAC will be asking local organizations to assist with that effort and/or notify FmHA of a general (nonbinding) willingness to purchase projects which might ultimately be offered for sale to nonprofit organizations and public agencies.

Prepayment is an important issue which has split the rural housing field. Builders, developers, and investors claim that the law and regulations infringe on their rights as owners, inhibit investment and destroy the sanctity of contracts. Some nonprofit members argue that prepayment prevention is costly and reduces state allocations and the number of new and rehabilitated units that can be produced. HAC, the National Rural Housing Coalition, the National Housing Law Project, the California Rural Housing Coalition, and others support prepayment restrictions as necessary to:

(1) Maintain a stock of rental housing affordable to low and very low-income rural tenants, and

(2) Avoid involuntary displacement of tenants. Between 1984 and 1986 more than 5,000 Section 515 units were prepaid and more than 20% of the tenants are known to have been displaced. Many other tenants have left those projects and cannot be traced.

HAC and other groups representing low-income tenant interests believe that the 5/23/88 FmHA interim regulations (within 7 CFR Part 1965 Subpart B) are insufficient and have asked FmHA to make considerable changes.

Loan Servicing

Servicing continues to be a high priority, but for the first time in years it has not interfered with total use of available loan and grant funds.

Section 502 delinquency is down from FY87, as is the inventory. Consider these data:

	FY87	FY88
Delinquency Rate*	12.48%	8.61%
Inventory	16,421	12,330
Losses Through Inventory Sales		$ 23,615,910
Acquisitions by foreclosure		4,591
Acquisitions by voluntary Conveyance		10,310
CASELOAD	758,230	744,373
Interest Credit Recapture	$ 25,114,000	$ 26,809,000

* State single family housing delinquency and inventory data are in Appendices K-1 and K-2.

Multifamily housing delinquency is not readily comparable to previous years since there were problems in the computer system. The situation with the Section 515 portfolio as of September 30, 1988 is:

	Total	Full Profit	Limited Profit	Nonprofit
Number of Projects	14,678	722	10,611	3,345
Number Delinquent	1,166	116	909	141
Percent Delinquent	7.9%	16.1%	8.6%	4.2%

The Section 515 data are interesting since for years nonprofit (which includes public) ownership has been put down as inefficient and rife with bad management. It would appear that nonprofit owners are performing an excellent service for tenants and for FmHA.

FmHA has been aggressively pursuing the disposition of single family housing inventory property. Perhaps too aggressive to suit the National Housing Law Project which persuaded the agency not to carry out planned project SIKM (Sales Initiative Kick-off Month), a venture with bonuses for real estate brokers. Even without SIKM, FmHA succeeded in reducing that inventory by 24.9% during FY88.

Proposed new rules will modify and codify leasing of inventory housing for the homeless. The proposed rules call for three-year leases and rehabilitation of units to a habitable standard as determined by the lessee (sponsor). HAC has asked FmHA to change the following deficiencies:

(1) Most of the rules are unpublished and therefore not readily available for public attention;

(2) The lease term should be ten years so that FmHA leased units can qualify for McKinney Act operating grants;

(3) Only nonprogram (oversized, in bad condition or at a poor location) units are available for the homeless;

(4) The sponsor is required to pay for rehabilitation, despite the fact that the homeless may have no repayment ability.

FmHA Section 515 regulations now permit the transfer of inventory units to that program. Since the agency wants desperately to reduce its inventory some state offices will also provide rental assistance contracts to nonprofit or public sponsors. There is a golden opportunity here, but few organizations have sought to take advantage of it. HAC produced a short information paper on the first successful conversion by the Clarkton, Missouri Housing Authority.

FmHA field offices previously thought all converted units had to be in one subdivision. The following is an excerpt from FmHA Instruction 1944-E:

> "1944.215(p)(5) Noncontiguous sites
>
> (i) Noncontiguous sites within the same community may be considered if feasible. Each site must meet all FmHA site criteria and an appraisal must be made on each site in accordance with Section 1922.55(a)(7) of Subpart B to Part 1922 of this chapter (available in any FmHA office). The units must be managed under one management plan with one loan agreement/resolution.
>
> (ii) If a small community cannot support a project containing enough units to make it cost-effective or in cases involving conversion of 502 inventory units, FmHA will consider a project which includes more than one site in the same or different communities. The State Office and applicant must mutually agree that the location of the sites will not adversely affect the efficiency of management and servicing of the projects. The requirements of paragraph (p)(5)(i) of this section will also apply." Emphasis added.

Planned FmHA Rural Housing Regulation Changes for FY89

The proposed regulations are listed below in two categories; those in the planning or prerule stage and those in the proposed rule stage. The latter have either been published as proposed rules in the Federal Register, or are actively being developed in proposed rule format, or are moving through a FmHA/USDA/OMB clearance process. The listings are published in the October 24, 1988 Federal Register. What follows is an outline and, in some instances, a very brief description.

The estimated dates for proposed and final rules often prove to be optimistic.*

Prerule Stage

1. Recapture of Section 502 Subsidy (1951-I)

   Will change accounting to prevent application of subsidy payments to principal, add improvements as a deduction for recapture and simplify the recapture formula. 11/1/88 - 5/1/89.

2. Security Servicing for Multifamily Housing Loans (1965-b)

   Will clarify processing for membership changes and transfers, broaden ability to consolidate and reamortize loans etc. 12/88 - 6/89.

3 Management and Collection of Nonprogram Loans (1951-J)

   (These are loans to ineligibles, or loans covering sale of inventory housing no longer considered eligible for the program). Guidance and policy for field staff 11/1/89 - 4/1/89.

4. Complaints and Compensation for Construction Defects (1924-F)

   Revision to include manufactured homes. 1/30/89 - 8/30/89.

5. Borrower Supervision Servicing and Collection of Single Family Housing Loan Accounts (1951-G)

   Will change definition for delinquent accounts. 11/30/88 - 4/30/89.

Proposed Rule Stage

1. Suspension and Department Regulations (1924-E)

   Change to be compatible with other federal regulations.

2. Property Management (1955-A,B & C)

   Will divide instructions by program areas (farmer program, housing etc.) 1/15/89 - 10/15/89.

3. Housing Preservation Grants (1944-N)

   Will include rental and cooperating housing 11/1/88 - 7/1/89.

4. Self-help T.A. Grants (1933-I)

Complete revision of regulations. No action dates listed.**

5. Section 502 R.H. Loan Policies, Procedures and Authorizations (1944-A)

   Will revise application priority system. No dates shown.

6. Rural Housing Program (1980-A,D)

   Will update and revise guaranteed loan regulations, and remove obstacles for lenders. No date shown.

7. Management and Supervision of Multifamily Housing Borrowers and Grant Recipients (1930-C)

   General revision of regulations, including those needed to comply with legislation. No date shown.

8. Real Property Insurance (1806-A)

   Will provide for continuation of insurance for borrowers on escrow 8/1/88 - 2/1/89.

9. Security Servicing for Single Family RH Loans (1965-C)

   Disposition of escrow funds in servicing loan accounts. 10/1/88 - 1/1/89.

10. Borrower Supervision Servicing and Collection of Single Family Housing Loan Accounts (1951-G)

    Will provide for escrowing and application of payments. 10/1/88 - 4/1/89.

11. Rural Rental Housing (1944-E)

    Letter of credit for initial operating capital. 10/88 - 3/89.

12. Rural Rental Housing Loans, etc. (1944-E)

    Will expand authorities for congregate housing and group homes. 5/89 - 11/89.

13. Farm Labor Housing Loans and Grants (1944-D)

    Will amend to clarify regulations in response to public and field staff requests. No time shown.

14. Farm Labor Housing Loans and Grants (1944-D)

    Will incorporate provisions of 1987 Housing Act. Re: definition of domestic farmworker. 10/88 - 2/89.

15. Rural Cooperative Housing Loans (1944-E)

    Will add an exhibit to provide regulations for Section 515 cooperative loans 11/88 - 5/89 ***

Final Rules Scheduled

1. Management and Supervision of MFH Borrowers (1930-)

   Will change auditing requirements to G.A.G.A.S. 12/31/88.

2. Planning and Performance Construction (1924-A)

   Will revise certification requirements for drawings and specifications. 10/1/88.

3. Section 504 Loans and Grants (1944-J)

   Changes to comply with 1983 legislative amendments. No fnal date shown.

4. Management and Supervision of MFH Borrowers (1930-C)

   Changes tenant selection criteria to conform to 1987 Act Re: Tax credit eligibility. 12/31/88.

5. Security Servicing for MFH Loans (1965-B)

   Will implement subtitle C ~~of~~ of 1987 Housing Act. "Rural Rental Housing Displacement Prevention." 12/31/88****

6. Predetermined Amortization Schedule System (Pass) Account Servicing (1951-K)

   Reinstitutes automatic billing provisions. 11/1/88.

7. Servicing Unauthorized Loans or Assistance Actions, Single Family Housing 11/1/88.

Information on any of the above can be obtained from writing Chris Goettelmann, Regulatory Coordinator, Farmers Home Administration, Room 6348 USDA South Building, Washington, D.C. 20250.

* Some of the dates shown had passed, without action, at the time this was written.

** The self-help rules have been in the throes of revision for years.

*** This may be the culmination of a long wait for rural consumer advocates. The author of this HAC paper wrote a free-standing rural cooperative housing instruction in October, 1980.

**** This notice is misleading because: (1) FmHA is far from ready to publish; and (2) the revised prepayment regulations (published 5/23/88 as an interim rule) reportedly must be published for comment, rather than as a final rule.

Conclusions

FY88 was generally a good year. Appropriations were essentially fully used. Regulations promulgated during the year, while not perfect, were an improvement over those previously on record. FmHA National Office housing staff continue to be cooperative, reasonable and open to suggestion.

The next section, "HAC Recommendations" and "Rural Housing and the Safety Net" offer suggestions for further improvement.

Loans for 33 and 50 years at 1% are a valuable asset in housing low-income people. HAC notes with satisfaction their full use and supports continuation and expansion. HAC also continues to support the FmHA direct delivery system.

HAC Recommendations for a Better Rural Housing Program

1. Return funding of the Title V FmHA programs to FY80 levels.
2. Institute a Section 502 deferred loan program for use by very low-income applicants unable to afford loans under the present interest credit subsidy system.
3. Approve a Section 515 capital grant demonstration program for nonprofit and public owners, designed to test cost effectiveness of capital grants, increase public participation and decrease prepayment and tenant displacement.
4. Implement a capacity development program for areas with poverty and substandard housing related need that are underserved by FmHA.
5. Expand the HPG program to a $100 million level.

6. Place 50-year prepayment restrictions on prospective Section 515 loans.

7. Require mandatory rental assistance for a minimum of 75% of units funded under the Section 515 grant program.

8. Increase farm labor housing funding to $100 million.

9. Change appraisal requirements for farm labor housing to recognize Davis-Bacon costs. Recognize that while loans must be fully secured, a combination loan and grant may exceed appraised value.

10. Change the FmHA inventory disposition regulations with regard to use for the homeless to provide:

    - o Up to 10-year leases at option of sponsor;
    - o Inclusion of program units that have not been used for Section 502 eligible households or for Section 515 transfers;
    - o Rehabilitation by FmHA prior to use for the homeless;
    - o A distinct priority order for inventory use.

11. Authority for FmHA to provide predevelopment loans to public and nonprofit applicants.

12. Permit a change in liquidation rules on Indian reservations to avoid alienation of the land. This action will act to make FmHA housing more readily available to Indians.

13. Expansion of the self-help program. FmHA should provide training to State Office staff to overcome reluctance for self-help use.

14. Implementation of escrowing in the Section 502 program.

15. Expansion and funding of the 525 outreach program.

16. A new structure:

    Creation of a new cabinet-level Rural Development Department, which would include all FmHA programs plus rural segments from EDA, HUD, etc.

17. In the event a new department is not feasible, reform of FmHA to include:

    - o Change in the provisions for selecting State Directors, who could subsequently be rotated.

- Use of Area Directors and Area Finance Offices.
- Establishment of an aide position for hiring program-eligible populations.
- Intensification of minority hiring and establishment of a Deputy Administrator for minority, Indian, and farmworker programs.
- Establishment of an ombudsman's office on the Administrator's staff.
- Creation of a housing advisory committee to the Administrator, composed of FmHA, consumers, advocates, builders, developers, and realtors.
- Streamlining of loan approval.
- Streamlining of in-house review of draft or proposed regulation changes.
- Attitude training for field staff, relative to mission, intended program recipients, civil rights etc.

HAC continues recommendations made in the 1986 and 1987 rural housing analysis papers including:

1. Disciplining State Directors who inhibit the use of programs.
2. Improvement of data collection and dissemination capacity.
3. Encouragement of participation by public and nonprofit organizations in the Section 515 program.
4. Requirement that the timing of Section 515 approvals adhere to the requirements for rental assistance, when available (loans with RAP first in accordance with the statutory requirement that occupancy must be provided to very low-income tenants for 95% of units to the extent RAP is available).

We are pleased to note that several of our past recommendations have been implemented by FmHA. One of these is the appeal of multifamily housing appraisals. FmHA's appeal procedure now includes appraisals as appealable. This past year, FmHA established an appeals staff, nationally and regionally, who have no other program functions.

Due to changes in the law which protect tenants from displacement due to prepayment, FmHA must use a sizeable portion of its Section 515 appropriation for equity loans. FmHA has reserved $83.2 million of $554.9 million (15 percent) for this purpose. Given a backlog of applications, and the need for subsidized rental housing additional Section 515 funds are necessary.

Rural Housing and the Safety Net

The national budget deficit, no matter how one views it, has a profound effect on all government programs. The FY 1988 rural housing appropriation was only 50.6% of the amount actually obligated in FY79. Additionally, most programs, and all of the rural housing programs, are also subject to possible percentage reductions, triggered by deficit numbers, under the Gramm-Rudman-Hollings Act. Certain programs enacted to provide basic necessities for the poor are exempted from such across-the-board cuts. These are considered to be "Safety Net Programs".

The rural housing programs are not included in the safety net exemptions. The Congress does not include them among programs which serve the poor. HAC believes the exclusion is wrong for the following reasons:

- Housing (shelter) is a basic human need. An examination of the homeless problem should be enough to convince any skeptic of this.
- The Section 502 homeownership program is restricted to use by low and very low-income households. Of all FY88 loans 38.4% were made to those with incomes below 50% of area median.
- At least 63.9% of tenants assisted through the Section 515 rural rental housing program in 1988 had incomes below 50% of median. Current income data were not available, but the most recent information indicated that 68.3% of all tenants living in previously financed Section 515 housing were very low-income households.
- The Section 504 Loan and Grant Programs are restricted for very low-income use.
- The Section 533 Housing Preservation Grant Program is available to assist low and very low-income households, but funding priority is extended to projects serving the highest percentages of those below 50% of median income.

- o No income data are available for farmworker tenants assisted under the Section 514/516 loan and grant program. However, because 86% of the units produced had rental assistance we know that very low-income assistance was at least that high. Since most farmworkers have incomes well below 50% of median, we can assume that 514/516 is a very low-income program.

If housing is a basic necessity and the FmHA programs do serve the rural poor, why are they not in the exempted category for Gramm-Rudman-Hollings?

APPENDICES

APPENDIX A

FmHA Housing Units Fiscal Years 1979 - 1988

Program	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	Est 1989[d]
502 Subsidized	64,264	62,739	61.544	56,850	51,211	43,459	40,813	25,475	24,077	25,869	25,479
502 Unsubsidized	29,136	18,918	7,990	5,107	709	20	1	4	8	334	N/A
502 Above Moderate	374	590	172	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
504 Loans	5,213	6,934	5,296	2,771	1,993	2,057	2,315	2,018	1,707	2,145	3,139
504 Grants	6,407	8,013	7,014	3,937	3,670	3,416	3,464	3,897	3,403	3,384	3,302
514 FLH Loans[a]											
516 FLH Grants	2,575	1,606	913	565	301	775	653	731	413	421	380
515 Subsidized	36,521	33,564	29,643	30,616	23,406	29,772	28,218	21,252	17,434	16,489	15,930
515 Unsubsidized	2,219	2,227	784	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
533 HPG Preservation	N/A	N/A	N/A	N/A	N/A	-0-	-0-	4,106	4,055	4,450	4,253
Subtotal Units	146,619	134,642	113,356	99,846	81,290	79,499	75,464	57,483	51,097	53,092	52,483
Rental Assistance[b] Units	22,623	20,000	17,655	14,280	11,750	11,750	15,250	14,511	24,921	24,921	24,921
Total Units[c]	169,242	154,642	131,011	114,126	93,040	91,249	90,714	71,994	76,018	78,013	77,404

(a) Units for Sec. 514 and 516 are combined.
(b) Includes new, renewal and servicing rental assistance units.
(c) Not unduplicated units. Housing unit production contained in subtotal
(d) Requires 100% use of all program funds.

APPENDIX B

DOLLAR LEVELS, FmHA PROGRAMS, FY 1979-1988

(Dollars in Millions and Rounded)

Farm Programs	1979 Actual	1980 Actual	1981 Actual	1982 Actual	1983 Actual	1984 Actual	1985 Actual	1986 Actual	1987 Actual	1988 Actual
Farm Ownership Loans	$ 763.2	$ 954.1	$ 813.3	$ 661.6	$ 749.6	$ 700.7	$ 719.8	$ 563.4	$ 399.4	$ 477.1
Farm Operating Loans	894.8	874.8	847.6	1,251.0	1,735.5	2,071.4	4,706.8	3,570.0	2,539.0	1,792.1
Emergency Disaster Loans	2,871.6	2,260.0	5,112.3	2,173.4	565.9	1,052.0	490.9	217.8	113.6	29.9
Economic Emergency Loans	3,089.5	1,185.5	1,245.4	-0-	-0-	599.3	-0-	-0-	-0-	-0-
Guaranteed Emergency Livestock Loans	19.0	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Soil and Water Loans	51.5	54.6	49.6	24.8	12.2	12.6	9.8	4.9	4.5	9.3
Irrigation and Drainage Loans	0.6	0.5	0.3	1.3	0.6	-0-	-0-	-0-	-0-	-0-
Watershed & Flood Prevention Loans	4.8	9.9	16.9	1.1	0.8	-0-	2.2	0.3	0.1	-0-
Resource, Conserv. & Develop. Loans	1.9	1.8	2.0	0.9	1.2	0.08	0.5	-0-	-0-	-0-
Indian Land Acquisition Loans	11.0	6.4	3.6	1.0	7.5	2.6	0.5	1.4	2.0	0.5
Grazing Association Loans	2.1	4.2	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Recreation Loans	2.2	2.3	1.8	0.7	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL FARMER PROGRAMS	7,712.2	6,355.0	8,092.8	4,115.8	3,073.3	4,438.7	5,930.5	4,357.8	3,058.6	2,308.9
RURAL HOUSING										
502 Home Ownership Loans	2,878.1	2,843.4	2,589.3	2,476.4	2,137.1	1,849.4	1,789.9	1,155.4	1,144.4	1,270.9
504 Low Income Repair Loans	14.7	21.9	17.9	10.0	7.1	7.2	7.9	7.0	5.9	7.6
504 Low Income Repair Grants	19.0	24.0	22.7	13.6	12.5	12.5	12.5	13.9	12.5	12.5
514 Farm Labor Housing Loans	36.3	24.6	18.5	11.9	4.0	5.5	17.6	10.7	10.7	11.4
516 Farm Labor Housing Grants	32.4	22.3	10.5	14.9	7.5	9.8	12.2	10.9	7.6	11.2
515 Rural Rental Housing	869.5	881.3	864.8	953.7	802.0	919.0	903.0	652.3	554.9	554.9
523 Self-Help T.A. Grants	5.6	6.2	12.4	4.7	10.2	5.1	10.8	5.9	8.4	5.7
523 & 524 Site Loans	4.7	1.3	0.9	0.4	0.3	0.2	1.3	0.6	0.7	-0-
525 Technical & Supv. Assistance Grants	2.5	1.5	1.0	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Rental Assistance Contracts	423.0	393.0	403.0	398.0	123.7	111.0	168.2	160.3	275.3	275.3
509(c) Comp. for Constr. Defects.	0.4	0.6	0.7	0.3	0.3	0.2	0.5	0.3	0.2	0.3
533 Housing Preservation Grants						-0-	-0-	19.1	19.1	19.1
TOTAL RURAL HOUSING	4,286.2	4,220.1	3,941.7	3,883.9	3,105.5	2,919.9	2,923.9	2,036.4	2,039.7	2,168.9
Community Programs										
Water and Waste Loans	900.0	700.0	750.0	375.0	600.0	270.0	340.0	325.4	330.4	330.4
Water and Waste Grants	291.6	298.7	210.4	133.8	313.2	103.7	129.0	119.3	117.7	119.4
Community Facilities Loans	247.0	240.0	260.0	126.2	130.0	130.0	115.0	95.7	95.7	95.7
Rural Development Grants	10.0	10.0	5.0	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Rural Dev. Planning Grants	5.0	6.0	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Energy Assistance Grants	18.7	20.4	16.5	3.3	-0-	-0-	-0-	-0-	-0-	-0-
Business and Industrial Loans	1,219.3	1,073.8	652.3	125.1	81.9	124.4	61.3	54.8	95.7	95.4
Other Programs									40.7	14.3
TOTAL COMMUNITY PROGRAMS	2,691.6	2,348.9	1,894.2	763.4	1,125.1	793.7	645.3	595.2	680.2	655.2
TOTAL ALL PROGRAMS	$14,690.0	$12,924.0	$13,928.7	$ 8,763.1	$ 7,303.9	$ 9,480.7	$ 9,449.7	$ 6,989.4	$ 5,778.5	$ 5,133.0

APPENDIX C-1

SECTION 502 OBLIGATIONS, FY 1988 THROUGH SEPTEMBER 30, 1988
(Dollars in Thousands)

States	Alloc. LI	Obl 9/30/88	Mod-Serv Obl	%Obl LI	Alloc. VLI	Obl 9/30/88	%Obl VLI	total Obl	VLI as % of total
Alabama	17702	12894	457	75.4%	11802	8957	75.9%	22308	40.2%
Alaska	2434	1444	3	59.4%	1622	616	38.0%	2063	29.9%
Arizona	6647	7540	183	116.2%	4432	9183	207.2%	16906	54.3%
Arkansas	13214	14676	358	113.8%	8810	7696	87.4%	22730	33.9%
California	24153	33857	536	142.4%	16102	18005	111.8%	52398	34.4%
Colorado	5794	3382	135	60.7%	3862	2433	63.0%	5950	40.9%
Connecticut	4903	15315	24	312.8%	3269	3724	113.9%	19063	19.5%
Delaware	1615	1771	0	109.7%	1077	722	67.0%	2493	29.0%
Florida	16811	25911	365	156.3%	11208	9618	85.8%	35894	26.8%
Georgia	22814	20314	664	92.0%	15210	8934	58.7%	29912	29.9%
Hawaii	2207	5837	144	271.0%	1472	3271	222.2%	9252	35.4%
Idaho	4490	3657	277	87.6%	2993	1870	62.5%	5804	32.2%
Illinois	19715	15068	965	81.3%	13144	8507	64.7%	24540	34.7%
Indiana	18268	8989	353	51.1%	12179	3907	32.1%	13249	29.5%
Iowa	11777	14055	584	124.3%	7852	4913	62.6%	19552	25.1%
Kansas	8815	3515	769	48.6%	5877	1610	27.4%	5894	27.3%
Kentucky	20648	20917	397	103.2%	13765	12935	94.0%	34249	37.8%
Louisiana	15430	15913	170	104.2%	10287	11711	113.8%	27794	42.1%
Maine	6685	24314	293	368.1%	4456	16688	374.5%	41295	40.4%
Maryland	7561	14013	100	186.7%	5040	7568	150.2%	21681	34.9%
Massachusetts	8177	36464	170	448.0%	5451	23447	430.1%	60081	39.0%
Michigan	23096	32273	294	141.0%	15398	16275	105.7%	48842	33.3%
Minnesota	13460	11254	88	84.3%	8974	6102	68.0%	17444	35.0%
Mississippi	15383	28350	1491	194.0%	10255	34426	335.7%	64267	53.6%
Missouri	16520	16182	1140	104.9%	11013	9471	86.0%	26793	35.3%
Montana	3814	2995	208	84.0%	2543	2084	82.0%	5287	39.4%
Nebraska	5629	6550	72	117.6%	3753	2042	54.4%	8664	23.6%
Nevada	1351	1601	25	120.4%	901	543	60.3%	2169	25.0%
New Hampshire	4097	15478	171	382.0%	2731	4507	165.0%	20156	22.4%
New Jersey	6497	20977	42	323.5%	4332	15498	357.8%	36517	42.4%
New Mexico	5491	9762	46	178.6%	3660	6028	164.7%	15836	38.1%
New York	23139	31013	516	136.3%	15426	9950	64.5%	41479	24.0%
North Carolina	31054	40853	958	134.6%	20703	9403	45.4%	51214	18.4%
North Dakota	3188	2027	157	68.5%	2126	839	39.5%	3023	27.8%
Ohio	26921	27192	842	104.1%	17948	18046	100.5%	46080	39.2%
Oklahoma	11301	9309	505	86.8%	7534	5678	75.4%	15492	36.7%
Oregon	9257	11405	94	124.2%	6172	4937	80.0%	16436	30.0%
Pennsylvania	32078	46055	884	146.3%	21386	15077	70.5%	62016	24.3%
Rhode Island	1026	5974	6	582.8%	684	1829	267.4%	7809	23.4%
South Carolina	15743	23959	880	157.8%	10496	13822	131.7%	38661	35.8%
South Dakota	3907	3511	79	91.9%	2604	788	30.3%	4378	18.0%
Tennessee	19547	30628	609	159.8%	13031	19178	147.2%	50415	38.0%
Texas	34739	16664	288	48.8%	23159	12205	52.7%	29157	41.9%
Utah	2563	4313	253	178.2%	1708	2316	135.6%	6882	33.7%
Vermont	3204	12811	237	407.2%	2136	3716	174.0%	16764	22.2%
Virginia	19688	25910	611	134.7%	13126	11972	91.2%	38493	31.1%
Washington	10873	10318	258	97.3%	7249	4677	64.5%	15253	30.7%
West Virginia	12715	11705	283	94.3%	8477	9632	113.6%	21620	44.6%
Wisconsin	15734	15889	549	104.5%	10490	11283	107.6%	27721	40.7%
Wyoming	2281	2814	51	125.6%	1520	3103	204.1%	5968	52.0%
Puerto Rico	0	0	60		27779	46226	166.4%	46286	99.9%
Virgin Islands	1831	588	3	32.3%	1220	588	48.2%	1179	49.9%
W. Pacific Terr.	4967	3500	40	71.3%	3312	1956	59.1%	5496	35.6%
N.O. Reserve	139072	0	0	0.0%	64928	0	0.0%	0	
U.S. Totals	760026	781706	18687	105.3%	506684	470512	92.9%	1270905	37.0%

Source : FmHA 1940-L and FmHA Report code 205

Housing Assistance Council

APPENDIX C-2

SECTION 504 OBLIGATIONS, FY 1988 THROUGH SEPTEMBER 30, 1988
(Dollars in Thousands)

States	Alloc. Loans	Obl	%Obl Loans	Alloc. Grants	Obl	%obl Grants
Alabama	309.0	283.0	91.6%	325.0	521.0	160.3%
Alaska	52.0	0.0	0.0%	42.0	0.0	0.0%
Arizona	124.0	5.0	4.0%	126.0	50.0	39.7%
Arkansas	226.0	195.0	86.3%	254.0	207.0	81.5%
California	369.0	73.0	19.8%	411.0	151.0	36.7%
Colorado	80.0	9.0	11.3%	88.0	70.0	79.5%
Connecticut	50.0	6.0	12.0%	69.0	21.0	30.4%
Delaware	22.0	7.0	31.8%	26.0	17.0	65.4%
Florida	246.0	98.0	39.8%	318.0	214.0	67.3%
Georgia	384.0	91.0	23.7%	400.0	469.0	117.3%
Hawaii	42.0	10.0	23.8%	40.0	0.0	0.0%
Idaho	64.0	17.0	26.6%	71.0	28.0	39.4%
Illinois	268.0	62.0	23.1%	340.0	248.0	72.9%
Indiana	239.0	28.0	11.7%	284.0	98.0	34.5%
Iowa	154.0	169.0	109.7%	210.0	152.0	72.4%
Kansas	117.0	45.0	38.5%	161.0	113.0	70.2%
Kentucky	373.0	591.0	158.4%	377.0	466.0	123.6%
Louisiana	277.0	235.0	84.8%	282.0	480.0	170.2%
Maine	99.0	339.0	342.4%	113.0	214.0	189.4%
Maryland	106.0	69.0	65.1%	118.0	159.0	134.7%
Massachusetts	96.0	10.0	10.4%	130.0	39.0	30.0%
Michigan	301.0	85.0	28.2%	357.0	343.0	96.1%
Minnesota	193.0	41.0	21.2%	240.0	166.0	69.2%
Mississippi	283.0	536.0	189.4%	289.0	458.0	158.5%
Missouri	245.0	150.0	61.2%	302.0	444.0	147.0%
Montana	55.0	3.0	5.5%	62.0	15.0	24.2%
Nebraska	74.0	22.0	29.7%	102.0	116.0	113.7%
Nevada	19.0	3.0	15.8%	21.0	9.0	42.9%
New Hampshire	51.0	11.0	21.6%	63.0	76.0	120.6%
New Jersey	71.0	19.0	26.8%	99.0	82.0	82.8%
New Mexico	105.0	48.0	45.7%	99.0	188.0	189.9%
New York	281.0	112.0	39.9%	360.0	702.0	195.0%
North Carolina	493.0	286.0	58.0%	523.0	759.0	145.1%
North Dakota	44.0	0.0	0.0%	56.0	32.0	57.1%
Ohio	367.0	78.0	21.3%	426.0	473.0	111.0%
Oklahoma	180.0	55.0	30.6%	213.0	272.0	127.7%
Oregon	129.0	26.0	20.2%	155.0	141.0	91.0%
Pennsylvania	412.0	612.0	148.5%	525.0	911.0	173.5%
Rhode Island	12.0	5.0	41.7%	15.0	36.0	240.0%
South Carolina	266.0	178.0	66.9%	269.0	388.0	144.2%
South Dakota	59.0	18.0	30.5%	72.0	52.0	72.2%
Tennessee	325.0	154.0	47.4%	348.0	260.0	74.7%
Texas	589.0	825.0	140.1%	652.0	934.0	143.3%
Utah	38.0	6.0	15.8%	41.0	28.0	68.3%
Vermont	41.0	46.0	112.2%	50.0	60.0	120.0%
Virginia	330.0	185.0	56.1%	340.0	459.0	135.0%
Washington	152.0	35.0	23.0%	173.0	145.0	83.8%
West Virginia	211.0	194.0	91.9%	222.0	279.0	125.7%
Wisconsin	211.0	95.0	45.0%	266.0	370.0	139.1%
Wyoming	34.0	2.0	5.9%	35.0	13.0	37.1%
Puerto Rico	377.0	144.0	38.2%	344.0	351.0	102.0%
Virgin Islands	26.0	0.0	0.0%	14.0	10.0	71.4%
W. Pacific Terr.	800.0	1241.0	155.1%	82.0	211.0	257.3%
N.O. Reserve	859.0	0.0	0.0%	1500.0	0.0	0.0%
U.S. Totals	11330.0	7557.0	66.7%	12500.0	12500.0	100.0%

Source : FmHA 1940-L and FmHA Report code 205

APPENDIX C-3

SECTION 515 OBLIGATIONS, FY 1988 THROUGH SEPTEMBER 30, 1988
(Dollars in Thousands)

States	Alloc.	Oblig	%oblig	Init. Loans	Units
Alabama	16278	14613	89.8	15	506
Alaska	2160	0	0.0	0	0
Arizona	6095	9930	162.9	6	248
Arkansas	12178	14338	117.7	15	425
California	17600	28836	163.8	17	715
Colorado	4024	7755	192.7	6	212
Connecticut	2491	911	36.6	0	0
Delaware	1143	4161	364.0	3	105
Florida	12991	27400	210.9	26	987
Georgia	20257	24617	121.5	21	857
Hawaii	1850	7	0.4	0	0
Idaho	3452	3045	88.2	3	65
Illinois	12790	10653	83.3	23	292
Indiana	11726	7468	63.7	10	242
Iowa	7805	4721	60.5	9	148
Kansas	5835	1642	28.1	4	48
Kentucky	19568	17444	89.1	23	518
Louisiana	14664	21112	144.0	24	721
Maine	5027	18347	365.0	15	315
Maryland	5058	9154	181.0	7	211
Massachusetts	4628	31	0.7	0	0
Michigan	14987	18961	126.5	22	636
Minnesota	9642	12153	126.0	14	381
Mississippi	15470	14519	93.9	16	496
Missouri	12664	13643	107.7	29	576
Montana	2764	1195	43.2	4	37
Nebraska	3853	2453	63.7	7	76
Nevada	1100	7487	680.6	4	176
New Hampshire	2500	4234	169.4	3	84
New Jersey	3562	820	23.0	0	0
New Mexico	5415	3681	68.0	3	106
New York	14394	27632	192.0	25	674
North Carolina	25235	24657	97.7	18	656
North Dakota	2442	848	34.7	4	21
Ohio	18007	17187	95.4	16	527
Oklahoma	9230	9695	105.0	9	380
Oregon	6299	7494	119.0	6	246
Pennsylvania	20011	18297	91.4	15	445
Rhode Island	1100	776	70.5	0	0
South Carolina	13813	16113	116.7	14	488
South Dakota	3334	4009	120.2	6	114
Tennessee	17024	22947	134.8	20	743
Texas	29276	22656	77.4	28	944
Utah	2015	594	29.5	0	0
Vermont	2168	2554	117.8	2	52
Virginia	15669	22261	142.1	20	653
Washington	7268	20913	287.7	19	551
West Virginia	10489	7101	67.7	8	202
Wisconsin	10095	12643	125.2	16	364
Wyoming	1516	1477	97.4	2	40
Puerto Rico	28248	6754	23.9	3	148
Virgin Islands	1100	2995	272.3	2	58
W. Pacific Terr.	1100	0	0.0	0	0
N.O. Reserve	55490	0	0.0	0	0
U.S. Totals	554900	554934	100.0	563	16489

Source : FmHA 1940-L and FmHA Report code 205

APPENDIX C-4

RENTAL ASSISTANCE OBLIGATIONS, FY 1988 THROUGH SEPTEMBER 30, 1988
(Dollars in Thousands)

States	Renewal Alloc. (Units)	Units Oblig.	Servicing Units	Percent Oblig.	New Proj Alloc. (Units)	Units Oblig.	Percent Oblig.	Total Units	Total Dollars
Alabama	173	173	129	174.6%	259	296	114.3%	598	6606
Alaska	117	117	5	104.3%	34	0	0.0%	122	1348
Arizona	59	91	82	293.2%	97	97	100.0%	270	2983
Arkansas	151	99	82	119.9%	194	213	109.8%	394	4353
California	366	368	0	100.5%	280	718	256.4%	1086	11997
Colorado	92	78	168	267.4%	64	64	100.0%	310	3425
Connecticut	128	155	18	135.2%	40	19	47.5%	192	2121
Delaware	0	0	0		20	92	460.0%	92	1016
Florida	321	327	104	134.3%	207	622	300.5%	1053	11632
Georgia	190	223	50	143.7%	322	331	102.8%	604	6672
Hawaii	55	55	0	100.0%	29	0	0.0%	55	608
Idaho	143	143	24	116.8%	55	55	100.0%	222	2452
Illinois	614	613	206	133.4%	204	216	105.9%	1035	11434
Indiana	448	451	119	127.2%	187	198	105.9%	768	8484
Iowa	468	477	105	124.4%	124	167	134.7%	749	8274
Kansas	126	125	220	273.8%	93	64	68.8%	409	4518
Kentucky	54	54	76	240.7%	311	422	135.7%	552	6098
Louisiana	319	203	607	253.9%	233	293	125.8%	1103	12185
Maine	550	549	60	110.7%	80	390	487.5%	999	11036
Maryland	0	0	0		80	164	205.0%	164	1812
Massachusetts	53	48	0	90.6%	74	0	0.0%	48	530
Michigan	455	485	28	112.7%	238	291	122.3%	804	8882
Minnesota	390	378	28	104.1%	153	153	100.0%	559	6175
Mississippi	383	400	61	120.4%	246	422	171.5%	883	9755
Missouri	66	62	65	192.4%	202	402	199.0%	529	5844
Montana	97	97	18	118.6%	44	30	68.2%	145	1602
Nebraska	143	143	25	117.5%	61	61	100.0%	229	2530
Nevada	0	0	30		20	140	700.0%	170	1878
New Hampshire	9	9	0	100.0%	40	59	147.5%	68	751
New Jersey	122	121	1	100.0%	57	40	70.2%	162	1790
New Mexico	0	0	125	#DIV/0!	86	105	122.1%	230	2541
New York	155	151	4	100.0%	229	190	83.0%	345	3811
North Carolina	370	387	113	135.1%	402	528	131.3%	1028	11356
North Dakota	109	113	33	133.9%	39	21	53.8%	167	1845
Ohio	397	273	260	134.3%	287	317	110.5%	850	9390
Oklahoma	128	128	243	289.8%	147	194	132.0%	565	6242
Oregon	285	179	179	125.6%	100	150	150.0%	508	5612
Pennsylvania	176	176	80	145.5%	318	332	104.4%	588	6496
Rhode Island	0	0	0		20	3	15.0%	3	33
South Carolina	97	109	24	137.1%	220	278	126.4%	411	4540
South Dakota	318	318	25	107.9%	53	53	100.0%	396	4375
Tennessee	265	265	159	160.0%	271	249	91.9%	673	7435
Texas	241	213	900	461.8%	466	544	116.7%	1657	18305
Utah	36	38	77	319.4%	32	16	50.0%	131	1447
Vermont	79	79	14	117.7%	35	52	148.6%	145	1602
Virginia	97	97	85	187.6%	249	278	111.6%	460	5082
Washington	304	304	35	111.5%	116	375	323.3%	714	7888
West Virginia	99	31	185	218.2%	167	158	94.6%	374	4132
Wisconsin	462	510	34	117.7%	161	161	100.0%	705	7788
Wyoming	74	74	135	282.4%	24	24	100.0%	233	2574
Puerto Rico	0	0	0		449	233	51.9%	233	2574
Virgin Islands	100	100	0	100.0%	20	31	155.0%	131	1447
W. Pacific Terr.	0	0	0		20	0	0.0%	0	0
N.O. Reserve	4627	0	0	0.0%	2451	0	0.0%	0	0
U.S. Totals	14511	9589	5021	100.7%	10410	9934	95.4%	24921	275302

Source :FmHA Report Code 205 F

APPENDIX C-5

UNALLOCATED RURAL HOUSING PROGRAM OBLIGATIONS, FY 1988 THROUGH September 30, 1988 (Dollars in Thousands)

STATE	509(c) COMP.	514FLH LOANS	516FLH GRANTS	523TA GRANTS	523 SITE	524 SITE
Alabama	6	0	0	0	0	0
Alaska	0	0	0	0	0	0
Arizona	2	0	0	366	0	0
Arkansas	0	253	0	0	0	0
California	0	6,192	5,273	2,433	0	0
Colorado	0	0	0	25	0	0
Connecticut	0	0	0	0	0	0
Delaware	0	0	45	0	0	0
Florida	0	2,140	2,758	787	0	0
Georgia	1	0	0	0	0	0
Hawaii	0	268	0	0	0	0
Idaho	0	0	0	0	0	0
Illinois	1	0	0	0	0	0
Indiana	9	0	0	0	0	0
Iowa	8	0	0	0	0	0
Kansas	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0
Louisiana	0	38	0	0	0	0
Maine	2	46	0	0	0	0
Maryland	0	41	370	117	0	0
Massachusetts	5	0	0	180	0	0
Michigan	42	972	0	0	0	0
Minnesota	4	0	0	0	0	0
Mississippi	35	191	0	362	0	0
Missouri	5	0	0	125	0	0
Montana	9	0	0	0	0	0
Nebraska	0	0	0	0	0	0
Nevada	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0
New Jersey	0	40	0	0	0	0
New Mexico	0	0	0	0	0	0
New York	24	189	0	0	0	0
North Carolina	7	0	0	0	0	0
North Dakota	4	0	0	0	0	0
Ohio	4	0	0	322	0	0
Oklahoma	0	0	0	158	0	0
Oregon	0	101	488	0	0	0
Pennsylvania	12	58	519	0	0	0
Rhode Island	0	0	0	0	0	0
South Carolina	9	44	0	0	0	0
South Dakota	0	0	0	0	0	0
Tennessee	21	0	0	0	0	0
Texas	11	100	750	119	0	0
Utah	0	0	0	0	0	0
Vermont	0	395	0	0	0	0
Virginia	2	50	0	0	0	0
Washington	8	149	1,095	280	0	0
West Virginia	12	0	0	0	0	0
Wisconsin	15	107	0	481	0	0
Wyoming	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0
Virgin Islands	0	0	0	0	0	0
West Pacific Terr.	0	0	0	0	0	0
U.S. TOTALS	258	11,374	11,298	5,755	0	0

Source: FmHA Report Code 205C

APPENDIX C-6

SECTION 533 HPG OBLIGATIONS FY 1988 THROUGH SEPTEMBER 30, 1988
(Dollars in Thousands)

States	Alloc	Obl	%Obl
Alabama	498	509	102.2
Alaska	153	0	0.0
Arizona	249	206	82.7
Arkansas	397	515	129.7
California	530	561	105.8
Colorado	198	300	151.5
Connecticut	161	0	0.0
Delaware	128	200	156.3
Florida	417	483	115.8
Georgia	595	595	100.0
Hawaii	145	0	0.0
Idaho	184	384	208.7
Illinois	412	379	92.0
Indiana	386	481	124.6
Iowa	291	300	103.1
Kansas	243	338	139.1
Kentucky	578	659	114.0
Louisiana	458	454	99.1
Maine	223	349	156.5
Maryland	224	262	117.0
Massachusetts	213	213	100.0
Michigan	466	489	104.9
Minnesota	336	556	165.5
Mississippi	478	490	102.5
Missouri	409	409	100.0
Montana	168	250	148.8
Nebraska	194	314	161.9
Nevada	121	0	0.0
New Hampshire	161	161	100.0
New Jersey	187	344	184.0
New Mexico	232	445	191.8
New York	452	452	100.0
North Carolina	716	716	100.0
North Dakota	160	212	132.5
Ohio	540	623	115.4
Oklahoma	325	480	147.7
Oregon	254	379	149.2
Pennsylvania	589	594	100.8
Rhode Island	114	0	0.0
South Carolina	437	475	108.7
South Dakota	181	301	166.3
Tennessee	516	240	46.5
Texas	815	815	100.0
Utah	149	149	100.0
Vermont	153	200	130.7
Virginia	483	598	123.8
Washington	278	388	139.6
West Virginia	356	416	116.9
Wisconsin	347	393	113.3
Wyoming	137	274	200.0
Puerto Rico	790	790	100.0
Virgin Islands	0	0	
W. Pacific Terr.	0	0	
N.O. Reserve	1913	0	0.0
U.S. Totals	19140	19141	100.0

Source : FmHA Report Code 205C

APPENDIX D

State Rankings by Total Dollars Obligated and Percentage of Allocation(1) Obligated FY 1988
(Dollars in Thousands)

	Total Dollars Obligated[2]			Percent of Allocations[1]
	FY 1988	FY 1979		Obligated, FY 1987
California	$ 107,644	$ 183,797	Maine	364.5
Mississippi	90,613	145,088	Massachusetts	322.9
Pennsylvania	89,515	103,179	Rhode Island	292.3
North Carolina	88,995	208,875	Nevada	275.2
Tennessee	81,472	123,243	New Hampshire	256.6
Florida	81,406	124,333	New Jersey	256.2
Michigan	78,616	130,457	Vermont	253.2
New York	74,401	155,625	Mississippi	190.4
Ohio	74,157	77,679	Connecticut	182.8
Texas	73,672	142,914	Maryland	173.0
Maine	71,608	77,219	Delaware	171.5
Virginia	67,030	109,867	Hawaii	161.0
Georgia	62,357	105,542	Arizona	153.3
Louisiana	62,298	114,694	Florida	152.6
Massachusetts	61,500	48,204	Tennessee	146.9
South Carolina	60,408	92,389	Washington	141.3
Kentucky	59,507	103,444	Wyoming	140.0
Puerto Rico	56,699	135,208	California	138.2
Wisconsin	49,613	111,462	South Carolina	137.0
Missouri	47,413	126,054	New Mexico	134.6
Illinois	47,317	126,177	New York	130.2
Washington	46,154	69,066	Michigan	125.9
Alabama	44,846	132,264	Virginia	124.7
Arkansas	42,591	110,201	Louisiana	121.0
New Jersey	39,612	51,915	Wisconsin	111.0
Minnesota	36,539	103,509	Oregon	109.9
West Virginia	33,754	71,530	Pennsylvania	109.9
Maryland	33,665	42,523	Arkansas	108.3
Iowa	33,176	128,125	Missouri	100.7
Oklahoma	32,394	100,140	Ohio	100.4
Oregon	30,677	87,038	Colorado	100.3
Arizona	30,448	41,602	U.S. V. Islands	99.8
Indiana	29,817	136,116	North Carolina	98.6
New Hampshire	25,389	31,072	Kentucky	96.6
New Mexico	22,739	41,809	Puerto Rico	94.7
Connecticut	22,122	23,872	Georgia	93.3
Vermont	21,621	38,413	West Virginia	92.7
Colorado	17,534	47,775	Minnesota	92.4
Nebraska	14,099	54,239	Oklahoma	90.3
South Dakota	13,133	57,660	Iowa	88.6
Kansas	12,550	70,947	South Dakota	86.2
Idaho	11,730	57,174	Nebraska	85.0
Nevada	11,546	16,486	Utah	83.1
Wyoming	10,308	24,160	Idaho	82.4
Hawaii	10,145	22,478	Alabama	81.5
Utah	9,106	37,694	Illinois	76.9
Rhode Island	8,659	13,777	Montana	71.6
Montana	8,361	30,994	W.Pacific T.T.	67.7
Delaware	7,939	10,423	Texas	61.0
W. Pacific T.T.	6,948	13,180	North Dakota	51.3
North Dakota	5,964	50,780	Indiana	49.5
U.S. V. Islands	5,631	9,096	Kansas	38.2
Alaska	$ 3,417	$ 25,549	Alaska	31.9%

(1) Total obligations for Section 502, 504, 515 and 533 divided by total allocation for those programs.

(2) FY 1979 total dollar obligations used to reflect general decline of program.

APPENDIX E

Initial Loan Making per Office

State	Number County Offices	Number Initial 502 & 504	Average per Office	Number District Offices	Number Organ. Loans & Grants	Average per District Office
Alabama	57	823	14.4	7	22	3.1
Alaska	0	27	N/A	4	0	0.0
Arizona	19	355	18.7	3	14	4.7
Arkansas	75	687	9.2	8	30	3.8
California	25	987	39.5	5	38	7.6
Colorado	25	139	5.6	4	14	3.5
Connecticut	7	200	28.6	1	2	2.0
Delaware	4	62	15.5	1	7	7.0
Florida	36	990	27.5	5	41	8.2
Georgia	58	851	14.7	7	25	3.6
Hawaii	6	144	24.0	1	6	6.0
Idaho	27	135	5.0	5	10	2.0
Illinois	60	729	12.2	8	39	4.9
Indiana	39	350	9.0	5	19	3.8
Iowa	63	613	9.7	7	18	2.6
Kansas	40	221	5.5	6	13	2.2
Kentucky	69	1143	16.6	8	30	3.8
Louisiana	41	791	19.3	6	32	5.3
Maine	29	633	21.8	4	29	7.3
Maryland	17	397	23.4	3	16	5.3
Massachusetts	11	637	57.9	1	3	3.0
Michigan	41	1164	28.4	6	44	7.3
Minnesota	51	415	8.1	7	21	3.0
Mississippi	82	1729	21.1	11	27	2.5
Missouri	74	832	11.2	9	39	4.3
Montana	24	116	4.8	4	7	1.8
Nebraska	38	228	6.0	6	11	1.8
Nevada	6	42	7.0	1	5	5.0
New Hampshire	11	278	25.3	2	6	3.0
New Jersey	13	451	34.7	2	7	3.5
New Mexico	24	387	16.1	4	7	1.8
New York	43	1002	23.3	5	45	9.0
North Carolina	81	1352	16.7	10	27	2.7
North Dakota	48	80	1.7	6	7	1.2
Ohio	36	1193	33.1	5	27	5.4
Oklahoma	67	536	8.0	8	12	1.5
Oregon	19	391	20.6	3	13	4.3
Pennsylvania	37	1617	43.7	5	33	6.6
Rhode Island	3	92	30.7	1	2	2.0
South Carolina	45	1058	23.5	5	18	3.6
South Dakota	41	133	3.2	6	14	2.3
Tennessee	79	1414	17.9	9	24	2.7
Texas	121	1192	9.9	18	39	2.2
Utah	17	133	7.8	2	3	1.5
Vermont	14	259	18.5	2	12	6.0
Virginia	50	957	19.1	7	25	3.6
Washington	19	312	16.4	4	28	7.0
West Virginia	31	666	21.5	5	15	3.0
Wisconsin	50	694	13.9	6	30	5.0
Wyoming	15	145	9.7	3	4	1.3
Puerto Rico	23	1291	56.1	4	14	3.5
Virgin Islands	2	20	10.0	0	2	--
W. Pacific Terr.	7	599	85.6	1	0	0.0
U.S. Totals	1920	31732	16.5	266	976	3.7

Source : FmHA - I.R.M.D. and 205 Reports

APPENDIX F

INITIAL INITIAL LOANS AND GRANTS PER STAFF YEAR , FY 1988

State	Staff Year Ceiling	Actual Staff Years	Total Initial Loans and Grants	Number per Staff Year (Rounded)
Alabama	302	290.1	845	2.9
Alaska	26	25.2	27	1.1
Arizona	114	111.9	369	3.3
Arkansas	364	364.1	717	2.0
California	255	251.7	1025	4.1
Colorado	127	123.2	153	1.2
Delaware & Maryland	124	118.2	482	4.1
Florida	214	196.1	1031	5.3
Georgia	325	314.4	876	2.8
Hawaii, Somoa and Pacifac Trust Terr.	74	71.7	749	10.4
Idaho	172	167.9	145	0.9
Illinois	342	332.7	768	2.3
Indiana	266	255.3	369	1.4
Iowa	376	367.7	631	1.7
Kansas	228	227.2	234	1.0
Kentucky	354	334.2	1173	3.5
Louisiana	281	283	823	2.9
Maine	182	177.4	662	3.7
Massachusetts, Connecticut & Rhode Island	132	125.2	936	7.5
Michigan	281	277.6	1208	4.4
Minnesota	309	303.5	436	1.4
Mississippi	466	451.4	1756	3.9
Missouri	378	374	871	2.3
Montana	130	125.1	123	1.0
Nebraska	218	209.1	239	1.1
New Jersey	111	102	458	4.5
New Mexico	118	117.6	394	3.4
New York	295	277.8	1047	3.8
North Carolina	493	478.4	1379	2.9
North Dakota	215	215.2	87	0.4
Ohio	260	257.8	1220	4.7
Oklahoma	303	302.1	548	1.8
Oregon	134	134.6	404	3.0
Pennsylvania	271	258	1650	6.4
South Carolina	255	247.5	1076	4.3
South Dakota	222	216.1	147	0.7
Tennessee	361	354.2	1438	4.1
Texas	548	544.5	1231	2.3
Utah & Nevada	141	131.5	183	1.4
Vermont, New Hampshire & U.S. Virign Islands	145	139	577	4.2
Virginia	275	275.5	982	3.6
Washington	145	144.1	340	2.4
Weat Virginia	166	164	681	4.2
Wisconsin	282	283	724	2.6
Wyoming	85	81.9	149	1.8
Puerto Rico	212	205.9	1305	6.3
U.S. Total (a)	12675	12235.2	32708	2.7

(a) Includes 790 for National Office, and 660 for Finance Office.

APPENDIX G

1980 CENSUS: RURAL PLUS PLACES OF 2,500-10,000 POPULATION OUTSIDE URBANIZED AREAS
(Dollars in Thousands)

State	Rural + Population	Rural + Poverty Population	Occupied Substandard Housing Units	Substandard Units Occupied by Poverty Household	Total FmHA Housing Dollars FY 1988	Dollar per Substandard Housing Unit
U.S. Total	73,893,335	9,597,450	1,973,956	713,676	$ 2,169,018	$ 1.10
Alabama	1,898,277	378,084	77,794	36,824	44,846	0.58
Alaska	189,431	26,265	17,187	4,343	3,417	0.20
Arizona	654,910	124,241	35,862	14,522	30,448	0.85
Arkansas	1,414,416	284,312	53,432	25,214	42,591	0.80
California	2,911,248	326,441	83,331	19,279	107,644	1.29
Colorado	751,094	84,720	15,335	4,002	17,534	1.14
Connecticut	735,723	32,830	6,149	764	22,122	3.60
Delaware	203,264	25,639	4,505	1,587	7,939	1.76
Florida	2,042,401	319,453	51,547	20,223	81,406	1.58
Georgia	2,481,491	432,060	90,337	39,836	62,357	0.69
Hawaii	218,009	27,020	13,901	2,703	10,145	0.73
Idaho	560,899	74,296	12,973	3,314	11,730	0.90
Illinois	2,349,021	217,999	38,473	10,429	47,317	1.23
Indiana	2,603,815	193,877	40,210	10,027	29,817	0.74
Iowa	1,632,530	170,444	21,823	5,684	33,176	1.52
Kansas	1,025,774	104,639	14,343	3,570	12,550	0.87
Kentucky	2,092,060	428,464	101,586	49,746	59,507	0.59
Louisiana	1,689,441	333,745	63,003	25,855	62,298	0.99
Maine	760,658	98,355	23,305	7,359	71,608	3.07
Maryland	971,563	81,673	22,201	6,971	33,665	1.52
Massachusetts	1,148,889	77,419	12,042	1,730	61,500	5.11
Michigan	3,194,568	284,538	49,217	11,755	78,616	1.60
Minnesota	1,698,889	199,938	33,783	9,746	36,539	1.08
Mississippi	1,569,605	403,983	77,552	41,669	90,613	1.17
Missouri	1,981,619	279,508	48,929	18,085	47,413	0.97
Montana	461,226	60,124	11,440	2,927	8,361	0.73
Nebraska	746,010	92,379	9,774	2,650	14,099	1.44
Nevada	173,311	15,273	4,214	665	11,546	2.74
New Hampshire	509,095	39,960	8,876	1,812	25,389	2.86
New Jersey	995,210	65,697	10,299	2,148	39,612	3.85
New Mexico	531,463	118,326	29,918	13,148	22,739	0.76
New York	3,250,382	310,610	47,810	12,064	74,401	1.56
North Carolina	3,442,876	516,800	119,253	48,686	88,995	0.75
North Dakota	397,490	57,886	8,169	2,444	5,964	0.73
Ohio	3,454,591	292,351	65,326	18,654	74,157	1.14
Oklahoma	1,347,617	208,569	31,563	11,196	32,394	1.03
Oregon	1,099,823	116,075	20,824	4,618	30,677	1.47
Pennsylvania	4,339,895	370,979	71,637	18,867	89,515	1.25
Rhode Island	142,252	10,168	1,658	299	8,659	5.22
South Carolina	1,771,708	321,462	69,554	30,945	60,408	0.87
South Dakota	434,468	87,462	11,053	4,297	13,133	1.19
Tennessee	2,154,991	368,234	78,124	35,926	81,472	1.04
Texas	3,889,032	628,128	138,835	53,913	73,672	0.53
Utah	332,296	36,430	9,014	1,979	9,106	1.01
Vermont	416,492	49,228	7,810	2,203	21,621	2.77
Virginia	2,088,669	273,429	87,643	32,301	67,030	0.76
Washington	1,337,567	133,716	24,939	5,920	46,154	1.85
W. Virginia	1,422,812	224,255	54,660	22,241	33,754	0.62
Wisconsin	2,115,125	179,045	36,738	7,861	49,613	1.35
Wyoming	256,339	10,931	6,006	855	$ 10,308	$ 0.94

APPENDIX H

GEOGRAPHIC PROGRAM - SINGLE FAMILY HOUSING (FY 1988)

Program	Number Loans In Population 10,000 or less	Number Loans In Population More than 10,000	Total Loans	Percent Loans In Areas With Population of 10,000 or Less
Section 502:				
Initial Loans	23,068	3,135	26,203	88.0%
Subsequent Loans	8,205	1,104	9,309	88.1%
TOTAL:	31,273	4,239	35,512	88.1%
Section 504:				
Initial Loans	2,060	85	2,145	96.0%
Subsequent Loans	284	9	293	96.9%
TOTAL:	2,344	94	2,438	96.1%
Section 504 Grants:				
Initial Grants	3,384	0	3,384	100.0%
Subsequent Grants	272	0	272	100.0%
TOTAL:	3,656	0	3,656	100.0%
Section 523 Grants				
Initial & Subsequent	22	0	22	100.0%
TOTALS (a)				
Initial Loans	28,534	3,220	31,754	90.0%
Subsequent Loans	8,761	1,113	9,874	88.7%
TOTAL	37,295	4,333	41,628	89.6%

(a) Initial and subsequent 523 grants included in initial loans.

Source: FmHA Report Code 205-D

State	Minority Percent Rural Population 1980 Census	Rural Poverty Rates, 1980 Total Pop.	Black	Hispanic	Indian Eskimo Aleut	Minority Percent 502&504 Loans FY 88	Minority Percent Sec.515 Tenants
U.S. Total	9.8%	13.2%	36.4%	26.6%	33.1%	26.3%	15.3%
Alabama	21.5%	20.2%	43.7%	36.1%	27.8%	48.5%	20.8%
Alaska	29.8%	16.4%	6.7%	12.2%	28.7%	4.2%	14.5%
Arizona	27.4%	21.4%	23.6%	19.6%	49.8%	52.6%	30.5%
Arkansas	15.0%	20.1%	46.9%	33.0%	20.9%	19.8%	15.2%
California	15.2%	11.3%	21.1%	22.2%	21.4%	40.7%	26.3%
Colorado	6.2%	11.3%	7.9%	24.0%	27.4%	35.5%	19.8%
Connecticut	2.0%	4.3%	7.0%	8.7%	13.4%	2.0%	0.5%
Delaware	17.2%	12.8%	26.5%	29.8%	9.1%	29.4%	26.4%
Florida	14.2%	16.0%	42.1%	31.5%	25.8%	32.9%	27.1%
Georgia	23.6%	16.9%	37.0%	27.5%	22.2%	43.5%	28.2%
Hawaii	63.1%	12.4%	15.8%	16.4%	24.6%	70.5%	71.6%
Idaho	4.5%	13.6%	16.9%	23.3%	35.3%	7.3%	5.1%
Illinois	2.2%	8.7%	36.1%	12.9%	19.2%	2.8%	4.7%
Indiana	1.0%	8.0%	21.7%	12.1%	12.9%	1.9%	0.8%
Iowa	0.8%	11.4%	12.2%	15.0%	18.2%	1.3%	0.2%
Kansas	4.3%	10.9%	27.5%	18.7%	18.6%	11.2%	3.4%
Kentucky	3.7%	21.0%	33.6%	31.9%	33.8%	4.4%	7.9%
Louisiana	26.8%	19.5%	42.6%	22.1%	26.3%	39.4%	40.3%
Maine	1.0%	13.5%	14.7%	20.0%	32.8%	1.2%	0.4%
Maryland	13.7%	8.8%	21.2%	16.5%	20.2%	18.9%	33.5%
Massachusetts	2.2%	6.2%	12.2%	12.5%	20.5%	6.8%	1.0%
Michigan	2.6%	9.0%	23.2%	16.6%	22.8%	3.0%	2.4%
Minnesota	1.5%	12.7%	21.5%	19.9%	30.3%	1.4%	0.7%
Mississippi	36.3%	26.4%	47.8%	41.7%	37.9%	58.1%	55.6%
Missouri	2.9%	14.5%	40.1%	18.4%	23.2%	4.0%	2.4%
Montana	6.9%	14.0%	18.0%	15.8%	35.6%	5.8%	2.4%
Nebraska	1.6%	13.8%	21.0%	21.0%	37.0%	0.7%	1.6%
Nevada	7.6%	9.1%	14.5%	16.2%	28.8%	7.0%	6.2%
New Hampshire	0.8%	7.8%	8.7%	10.1%	16.9%	1.4%	0.6%
New Jersey	6.9%	6.6%	19.1%	17.2%	8.3%	22.4%	37.9%
New Mexico	31.5%	23.9%	14.6%	26.7%	43.5%	72.4%	46.6%
New York	2.2%	9.6%	19.8%	16.5%	20.0%	3.2%	3.0%
North Carolina	21.7%	15.0%	31.4%	27.7%	28.3%	28.2%	33.2%
North Dakota	4.9%	16.1%	20.0%	30.0%	39.8%	1.6%	2.7%
Ohio	1.9%	8.5%	18.4%	18.2%	22.6%	2.1%	2.5%
Oklahoma	12.4%	15.2%	37.3%	26.9%	27.2%	19.1%	12.5%
Oregon	3.6%	10.3%	27.3%	21.2%	20.5%	5.3%	4.2%
Pennsylvania	1.3%	8.5%	18.4%	18.2%	22.6%	2.8%	2.5%
Rhode Island	0.8%	7.2%	19.3%	9.4%	17.6%	0.9%	1.5%
South Carolina	33.4%	18.2%	34.6%	34.0%	26.3%	56.5%	47.1%
South Dakota	8.3%	21.7%	15.6%	24.1%	48.5%	2.9%	3.6%
Tennessee	7.3%	17.1%	35.6%	28.5%	25.8%	14.7%	13.7%
Texas	14.3%	15.6%	38.5%	35.6%	17.9%	55.6%	26.5%
Utah	4.9%	12.1%	33.9%	20.8%	43.9%	5.6%	9.6%
Vermont	0.7%	12.1%	18.0%	14.3%	40.9%	1.0%	0.3%
Virginia	17.0%	13.6%	26.7%	24.1%	14.1%	24.8%	38.5%
Washington	5.9%	9.6%	14.5%	24.6%	23.8%	8.2%	7.8%
West Virginia	3.0%	16.4%	26.6%	25.9%	28.0%	1.7%	3.6%
Wisconsin	1.4%	9.0%	22.0%	14.8%	23.7%	3.4%	0.6%
Wyoming	4.4%	9.1%	30.7%	12.5%	27.5%	8.6%	7.0%
Puerto Rico	100.0%					100.0%	N/R
Virgin Islands	N/A					96.2%	94.8%
West Pacific Territories	N/A					98.2%	N/R

SOURCE: FmHA Report Code 691 and MISTR Report

APPENDIX J

RURAL HOUSING DELINQUENCY, FISCAL YEAR 1988

States	Borrowers	Delinquent	Percent Del.	Del. 3 Mos. +	Percent
Alabama	26874	1890	7.03%	332	1.24%
Alaska	1240	96	7.74%	17	1.37%
Arizona	7452	319	4.28%	93	1.25%
Arkansas	24979	2017	8.07%	560	2.24%
California	21895	1935	8.84%	592	2.70%
Colorado	5176	585	11.30%	213	4.12%
Connecticut	2810	188	6.69%	50	1.78%
Delaware	1858	65	3.50%	18	0.97%
Florida	18733	1438	7.68%	343	1.83%
Georgia	24881	2743	11.02%	716	2.88%
Hawaii	5768	555	9.62%	284	4.92%
Idaho	8474	802	9.46%	267	3.15%
Illinois	14337	1207	8.42%	338	2.36%
Indiana	13455	865	6.43%	193	1.43%
Iowa	13730	576	4.20%	180	1.31%
Kansas	6618	481	7.27%	137	2.07%
Kentucky	23137	1598	6.91%	413	1.79%
Louisiana	21028	2368	11.26%	650	3.09%
Maine	14429	1240	8.59%	339	2.35%
Maryland	6642	509	7.66%	69	1.04%
Massachusetts	5141	323	6.28%	54	1.05%
Michigan	19130	1510	7.89%	381	1.99%
Minnesota	9295	777	8.36%	308	3.31%
Mississippi	54535	5614	10.29%	1466	2.69%
Missouri	18963	1434	7.56%	451	2.38%
Montana	3869	299	7.73%	107	2.77%
Nebraska	6072	433	7.13%	127	2.09%
Nevada	926	63	6.80%	22	2.38%
New Hampshire	3509	214	6.10%	40	1.14%
New Jersey	8276	734	8.87%	243	2.94%
New Mexico	5902	830	14.06%	285	4.83%
New York	18680	2103	11.26%	858	4.59%
North Carolina	40584	1831	4.51%	381	0.94%
North Dakota	4983	637	12.78%	292	5.86%
Ohio	13090	1163	8.88%	352	2.69%
Oklahoma	17407	1996	11.47%	809	4.65%
Oregon	8781	640	7.29%	203	2.31%
Pennsylvania	16641	1340	8.05%	398	2.39%
Rhode Island	1234	66	5.35%	12	0.97%
South Carolina	32144	2122	6.60%	352	1.10%
South Dakota	5604	388	6.92%	158	2.82%
Tennessee	30739	2779	9.04%	649	2.11%
Texas	30774	4025	13.08%	1363	4.43%
Utah	5410	476	8.80%	93	1.72%
Vermont	4813	222	4.61%	43	0.89%
Virginia	27820	2242	8.06%	640	2.30%
Washington	7921	706	8.91%	237	2.99%
West Virginia	12388	1126	9.09%	355	2.87%
Wisconsin	12872	1141	8.86%	411	3.19%
Wyoming	2606	280	10.74%	106	4.07%
Puerto Rico	33740	3904	11.57%	1342	3.98%
Virgin Islands	1656	204	12.32%	75	4.53%
W. Pacific Terr.	6420	569	8.86%	256	3.99%
N.O. Reserve					
U.S. Totals	740287	63747	8.61%	18656	2.52%

Source FmHA Report Codes 581 and 583
Does not include loans in moratoria, with APPA, or pending liquidation

APPENDIX K-1

FmHA Single Family Housing Inventory - 9/30/88

State	Number of Inventory Units 9/30/87	9/30/88	Change	Percentage of Caseload in Inventory 9/30/88
U.S. Total	16,421	12,330	- 4,091	1.6%
Alabama	1,101	577	- 524	2.1
Alaska	117	149	+ 32	11.8
Arizona	153	89	- 64	1.1
Arkansas	690	512	- 178	2.0
California	180	190	+ 10	0.8
Colorado	399	375	- 24	7.0
Connecticut	5	3	- 2	0.1
Delaware	14	16	+ 2	0.8
Florida	426	446	+ 20	2.2
Georgia	423	307	- 116	1.2
Hawaii	1	4	+ 3	0.1
Idaho	424	324	- 100	3.7
Illinois	621	316	- 305	2.1
Indiana	527	456	- 71	3.2
Iowa	246	108	- 138	0.8
Kansas	356	178	- 178	2.6
Kentucky	394	247	- 147	1.0
Louisiana	629	743	+ 114	3.1
Maine	56	29	- 27	0.2
Maryland	41	64	+ 23	0.9
Massachusetts	4	1	- 1	0.0
Michigan	501	283	- 218	1.4
Minnesota	215	154	- 61	1.6
Mississippi	720	809	+ 89	1.4
Missouri	511	238	- 273	1.2
Montana	186	179	- 7	4.5
Nebraska	171	103	- 68	1.6
Nevada	88	37	- 51	3.9
New Hampshire	6	2	- 4	0.1
New Jersey	30	25	- 5	0.3
New Mexico	246	338	+ 108	5.6
New York	238	94	- 144	0.5
North Carolina	431	201	- 230	0.4
North Dakota	303	243	- 60	3.9
Ohio	244	335	- 9	1.7
Oklahoma	836	826	- 10	4.5
Oregon	376	245	- 131	2.7
Pennsylvania	223	135	- 88	0.8
Rhode Island	0	0	0	0.0
South Carolina	537	382	- 155	1.1
South Dakota	149	90	- 59	1.6
Tennessee	519	390	- 129	1.2
Texas	793	677	- 116	2.1
Utah	173	129	- 44	2.3
Vermont	8	5	- 3	0.1
Virginia	317	233	- 84	0.8
Washington	300	191	- 109	2.4
West Virginia	305	217	- 88	1.7
Wisconsin	415	224	- 191	1.6
Wyoming	216	95	- 121	3.6
Puerto Rico	536	423	- 113	1.2
Virgin Islands	3	2	- 1	0.1
W. Pacific Territories	5	1	- 4	0.0%

Source: FmHA Report Codes 594-A and 616

APPENDIX K-2

PROGRAM : KNB804
FORM FMHA : 389-874
REPORT CODE : 594-0

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
FINANCE OFFICE

RUN DATE : 10/01/88
AS OF DATE : 09/30/88
PAGE : 1

INVENTORY OF SINGLE FAMILY HOUSING
CLASSIFICATION/ACQUISITION

					PROPERTY CLASSIFICATION				LISTED FOR SALE				
					PROGRAM		NON-PROGRAM		PROGRAM		NON-PROGRAM		
RK	ST	CURRENT INVENTORY	PREVIOUS INVENTORY	CHANGE IN INVENTORY	NUMBER	AVERAGE MONTHS	NUMBER	AVERAGE MONTHS	NUMBER	AVERAGE MONTHS	NUMBER	AVERAGE MONTHS	MKT VLU CURRENT INVENTORY
01	OK	826	846	(20)	648	9.0	178	9.7	194	4.4	98	3.4	22,582,257
02	MS	809	860	(51)	758	9.4	51	19.5	62	6.9	6	30.9	24,473,891
03	LA	743	753	(10)	683	10.3	60	11.1	240	4.4	24	7.3	22,153,531
04	TX	677	671	6	646	11.6	31	15.3	427	3.4	26	5.6	23,300,572
05	AL	577	605	(28)	552	1.0	25	42.2	159	9.9	11	10.4	12,850,346
06	AR	512	539	(27)	442	6.8	70	7.3	116	5.2	25	4.5	14,997,134
07	IN	456	475	(19)	326	10.0	130	7.2	109	8.8	83	3.6	12,642,192
08	FL	446	469	(23)	385	12.1	61	15.8	104	10.8	32	5.8	11,980,815
09	PR	423	421	2	414	22.0	9	21.1	34	21.8	3	7.4	13,506,723
10	TN	390	409	(19)	329	7.7	61	10.1	32	5.8	27	4.7	10,504,980
11	SC	382	400	(18)	359	6.4	23	5.6	97	5.1	8	5.3	11,147,400
12	CO	375	375	0	289	12.8	86	17.0	52	7.2	43	11.0	12,593,440
13	NM	338	334	4	271	13.5	67	13.9	156	3.4	41	4.7	12,802,742
14	ID	324	335	(11)	274	10.4	50	11.7	144	6.9	34	6.5	9,364,989
15	IL	316	334	(18)	217	6.3	99	6.4	56	4.0	38	2.0	7,534,150
16	GA	307	319	(12)	281	11.8	26	12.3	84	9.5	14	6.9	8,569,281
17	MI	283	295	(12)	154	7.9	129	6.3	33	8.4	64	4.5	16,770,420
18	KY	247	328	(81)	203	6.7	44	6.1	123	4.8	28	3.8	7,376,440
19	OR	245	262	(17)	194	8.6	51	10.1	65	3.4	37	3.8	8,850,742
20	ND	243	248	(5)	175	7.6	68	10.0	16	2.7	19	3.2	7,563,700
21	OH	235	247	(12)	174	9.9	61	10.2	52	5.3	42	2.8	7,701,875
22	VA	233	232	1	195	8.1	38	10.5	41	2.9	18	6.5	7,442,345
23	MO	228	255	(27)	208	8.0	20	6.8	95	4.1	10	4.7	6,572,810
24	WI	224	230	(6)	123	10.8	101	11.1	58	4.1	57	7.1	6,209,850
25	WV	217	226	(9)	160	7.9	57	10.1	55	3.4	22	3.5	5,013,570
26	NC	201	224	(23)	182	10.8	19	15.0	74	6.0	11	2.8	6,643,175
27	WA	191	202	(11)	157	10.8	34	12.9	80	7.6	19	6.7	6,051,405
28	CA	190	192	(2)	180	7.7	10	18.0	22	.9	0	.0	8,973,900
29	MT	179	181	(2)	112	9.4	67	7.9	58	5.2	42	2.7	6,773,350
30	KS	178	195	(17)	87	13.4	91	7.2	44	7.6	37	4.8	3,681,235
31	MN	154	172	(18)	61	6.8	93	6.7	12	4.8	23	6.1	3,834,847
32	AK	149	152	(3)	124	19.1	25	13.3	120	4.3	24	2.0	7,422,950
33	PA	135	138	(3)	63	10.4	72	8.3	42	2.3	50	2.8	3,443,551
34	UT	129	133	(4)	111	11.3	18	14.0	37	6.4	8	7.3	4,261,975
35	IA	108	109	(1)	52	5.2	56	6.4	13	4.0	29	3.3	2,697,000
36	NE	103	113	(10)	72	10.8	31	8.1	33	3.7	9	3.8	2,547,519
37	WY	95	102	(7)	78	8.4	17	9.1	34	4.8	5	4.7	3,092,650
38	NY	94	96	(2)	31	18.9	63	16.2	8	6.2	4	3.5	2,514,440
39	SD	90	98	(8)	62	12.5	28	13.6	14	20.2	6	16.0	2,361,172
40	AZ	89	95	(6)	74	6.8	14	10.1	20	3.7	8	4.7	3,423,953
41	MD	64	64	0	39	11.1	25	10.9	10	11.1	13	12.2	2,259,500
42	NV	37	39	(2)	34	25.1	3	6.5	16	20.2	0	.0	1,590,250
43	ME	29	28	1	20	10.4	9	7.5	11	1.1	5	3.3	954,500

APPENDIX K-3

PROGRAM : KNBR04
FORM FMHA : 389-874
REPORT CODE : 594-D

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
FINANCE OFFICE

RUN DATE : 10/01/88
AS OF DATE : 09/30/88
PAGE : 2

INVENTORY OF SINGLE FAMILY HOUSING
CLASSIFICATION/ACQUISITION

					PROPERTY CLASSIFICATION				LISTED FOR SALE				
					PROGRAM		NON-PROGRAM		PROGRAM		NON-PROGRAM		
RK	ST	CURRENT INVENTORY	PREVIOUS INVENTORY	CHANGE IN INVENTORY	NUMBER	AVERAGE MONTHS	NUMBER	AVERAGE MONTHS	NUMBER	AVERAGE MONTHS	NUMBER	AVERAGE MONTHS	MKT VLU CURRENT INVENTORY
44	NJ	25	25	0	21	10.7	4	10.0	5	2.3	1	5.3	935,000
45	DE	16	17	(1)	13	10.3	3	3.9	4	12.2	1	1.7	532,345
46	VT	5	6	(1)	2	7.0	3	3.9	0	.0	0	.0	165,000
47	HI	4	3	1	3	10.4	1	.4	1	.4	0	.0	159,500
48	CT	3	5	(2)	3	9.2	0	.0	1	2.3	0	.0	209,000
49	NN	2	2	0	2	3.4	0	.0	0	.0	0	.0	128,000
50	VI	2	2	0	1	50.0	1	28.5	0	.0	0	.0	42,000
51	MA	1	1	0	0	.0	1	117.2	0	.0	0	.0	27,500
52	WP	1	1	0	0	.0	1	51.4	0	.0	1	.3	16,500
NATIONAL TOTALS		12330	12863	(533)	10039	9.8	2284	10.6	3267	5.7	1104	5.0	379,191,240

20 HIGH STATES HAVE : 72.1% OF TOTAL INVENTORY OF PREVIOUS REPORT
72.3% OF TOTAL INVENTORY OF CURRENT REPORT

APPENDIX L

SUMMARY OF USE OF FARM LABOR HOUSING RESOURCES
SECTION 514 LOANS, SECTION 516 GRANTS AND RENTAL ASSISTANCE
FISCAL YEAR 1988

STATE	GRANTS	LOANS	TOTAL	UNITS	RA
ARKANSAS		252,950	252,950	7	
CALIFORNIA	5,241,630	6,191,630	11,433,260	184	184
FLORIDA	2,758,000	2,140,000	4,898,000	100	100
HAWAII		267,900	267,900	6	
LOUISANA		37,950	37,950	1	
MAINE		46,000	46,000	1	
MARYLAND	369,724	41,080	410,804		
MICHIGAN		971,580	971,580	23	
MISSISSIPPI		190,700	190,700	5	
NEW JERSEY		40,000	40,000	1	
NEW YORK		188,875	188,875	3	
OREGON	487,500	101,200	588,700	13	12
PENNSYLVANIA	519,000	57,700	576,700	12	12
SOUTH CAROLINA		44,450	44,450	1	
TEXAS	750,150	100,020	850,170	30	30
VERMONT		394,900	394,900	7	
VIRGINIA		50,000	50,000	1	
WASHINGTON	1,095,300	148,650	1,243,950	24	24
WISCONSIN		106,800	106,800	2	
	$11,221,304	$11,372,385	$22,593,689	421	362

SUMMARY:					
ALLOTMENTS	$11,747,315	$11,480,000	$23,227,315		461
FLHTA CONTRACT	80,000				
USED BY STATES	11,221,304	11,372,385	22,593,689		362
CARRYOVER	$446,011				
TRANSFER		$107,615			99

"UNITS" includes approximately 59 on-farm units financed solely with LH loans

/usr2/john/labor/FY88sum
9/26/88

APPENDIX M

FY 1988 HOUSING PRESERVATION GRANTS
DISTRIBUTION OF RESERVES AND REALLOCATION
($000)

SEPT.30, 1988
FINAL

STATE	FY'87 INCR.	FY'88 ALLOC.	ALLOC ADJUST	NEW ALLOC	PERCENT CHANGE	NO. PROJ.	NO. UNITS
Alabama	30.4%	498	11	509	2.2%	4	47
Alaska	-100.0%	153	(153)	0	-100.0%	0	
Arizona	60.0%	249	(42)	206	-17.0%	2	62
Arkansas	6.0%	397	117	514.5	29.3%	3	66
California	11.0%	530	31	561	5.9%	4	71
Colorado	1.0%	198	102	300	51.3%	3	63
Delaware	56.0%	128	72	200	56.4%	2	21
Maryland	1.0%	224	39	262	17.2%	3	53
Florida	15.0%	417	65	483	15.7%	4	173
Georgia	0.0%	595	0	595	0.0%	4	113
Hawaii	-100.0%	145	(145)	0	-100.0%	0	
W. Pac. Ter.	0.0%	0	0	0	0.0%	0	
Idaho	100.0%	184	200	384	108.3%	3	221
Illinois	1.2%	412	(33)	379	-8.1%	3	98
Indiana	23.0%	386	95	481	24.5%	5	296
Iowa	25.0%	291	9	300	3.2%	2	66
Kansas	38.0%	243	95	337.5	39.2%	3	135
Kentucky	-16.0%	578	96	659	16.6%	5	113
Louisiana	0.0%	458	(4)	453.8	-1.0%	2	38
Maine	35.0%	223	112	349.2	50.4%	4	76
Massachusetts	100.0%	213		213	0.0%	1	13
Connecticut	-100.0%	161	(161)	0	-100.0%	0	
Rhode Island	-100.0%	114	(114)	0	-100.0%	0	
Michigan	0.0%	466	23	489	4.9%	4	109
Minnesota	-60.0%	336	220	556	65.7%	5	65
Mississippi	40.0%	478	12	490	2.6%	2	71
Missouri	0.0%	409	(0)	409	-0.1%	3	107
Montana	80.0%	168	83	250	49.2%	3	41
Nebraska	106.0%	194	120	314	61.8%	2	51
New Jersey	60.0%	187	157	344	83.8%	3	50
New Mexico	89.4%	232	212	445	91.5%	4	67
New York	16.0%	452	0	452	0.1%	7	111
North Carolina	5.0%	716	(0)	716	0.0%	6	94
North Dakota	22.0%	160	52	212	32.8%	2	41
Ohio	19.0%	540	83	623	15.4%	4	64
Oklahoma	23.0%	325	155	480	47.5%	2	66
Oregon	-100.0%	254	125	379	49.3%	3	91
Pennsylvania	14.0%	589	5	594	0.9%	5	153
Puerto Rico	0.0%	790	0	790	0.0%	9	680
South Carolina	-8.0%	437	37	475	8.6%	3	43
South Dakota	55.0%	181	120	301	65.9%	4	134
Tennessee	-41.9%	516	(276)	240	-53.5%	1	80
Texas	0.0%	815	0	815	0.0%	4	116
Utah	0.0%	149	(0)	149	-0.1%	1	20
Nevada	-100.0%	121	(122)	0	-100.0%	0	
Vermont	69.0%	153	47	200	30.7%	2	21
New Hampshire	-100.0%	161	(0)	161	-0.1%	1	10
Virgin Islands	0.0%	0	0	0	0.0%	0	
Virginia	42.0%	483	115	598	23.9%	4	117
Washington	40.0%	278	111	388	39.8%	3	69
West Virginia	32.0%	356	60	416	16.8%	5	67
Wisconsin	9.0%	347	46	393	13.4%	4	144
Wyoming	0.0%	137	137	274	100.0%	2	43
		$17,226	$1,914	19,140		155	4450
					AVG PER PROJ:	123	29

/usr2/john/hpg/FY88sum

APPENDIX N

FY 1989 RURAL HOUSING ALLOCATIONS TO STATES
(Dollars in Thousands)

STATES	SEC.502 Low-Income	SEC.502 Very Low-Income	SEC.504 Loans	SEC.504 Grants	SEC.515 RRH	SEC.533 HPG	SEC.521 Rental Asst. (New Units)
ALABAMA	$17,702	$11,802	$309	$325	$15,348	$498	$259
ALASKA	2,434	1,622	52	42	2,036	153	34
ARIZONA	6,647	4,432	124	126	5,747	249	97
ARKANSAS	13,214	8,810	226	254	11,483	397	194
CALIFORNIA	24,153	16,102	369	411	16,595	530	280
COLORADO	5,794	3,862	80	88	3,794	198	64
DELAWARE	1,615	1,077	22	26	1,200	128	20
MARYLAND	7,561	5,040	106	118	4,769	224	80
FLORIDA	16,811	11,208	246	318	12,249	417	207
GEORGIA	22,814	15,210	384	400	19,100	595	322
HAWAII	2,207	1,472	42	40	1,745	145	29
W.PACIFIC AREAS	4,967	3,312	800	82	1,200	0	20
IDAHO	4,490	2,993	64	71	3,255	184	55
ILLINOIS	19,715	13,144	268	340	12,060	412	204
INDIANA	18,268	12,179	239	284	11,056	386	187
IOWA	11,777	7,852	154	210	7,359	291	124
KANSAS	8,815	5,877	117	161	5,501	243	93
KENTUCKY	20,648	13,765	373	377	18,450	578	311
LOUISIANA	15,430	10,287	277	282	13,827	458	233
MAINE	6,685	4,456	99	113	4,740	223	80
MASSACHUSETTS	8,177	5,451	96	130	4,364	213	74
CONNECTICUT	4,903	3,269	50	69	2,348	161	40
RHODE ISLAND	1,026	684	12	15	1,200	114	20
MICHIGAN	23,096	15,398	301	357	14,131	466	238
MINNESOTA	13,460	8,974	193	240	9,092	336	153
MISSISSIPPI	15,383	10,255	283	289	14,587	478	246
MISSOURI	16,520	11,013	245	302	11,941	409	202
MONTANA	3,814	2,543	55	62	2,607	168	44
NEBRASKA	5,629	3,753	74	102	3,633	194	61
NEW JERSEY	6,497	4,332	71	99	3,359	187	57
NEW MEXICO	5,491	3,660	105	99	5,106	232	86
NEW YORK	23,139	15,426	281	360	13,572	452	229
NORTH CAROLINA	31,054	20,703	493	523	23,794	716	402
NORTH DAKOTA	3,188	2,126	44	56	2,302	160	39
OHIO	26,921	17,948	367	426	16,979	540	287
OKLAHOMA	11,301	7,534	180	213	8,703	325	147
OREGON	9,257	6,172	129	155	5,939	254	100
PENNSYLVANIA	32,078	21,386	412	525	18,868	589	318
PUERTO RICO	N/A	27,779	377	344	26,635	790	449
SOUTH CAROLINA	15,743	10,496	266	269	13,024	437	220
SOUTH DAKOTA	3,907	2,604	59	72	3,143	181	53
TENNESSEE	19,547	13,031	325	348	16,052	516	271
TEXAS	34,739	23,159	589	652	27,606	815	466
UTAH	2,563	1,708	38	41	1,900	149	32
NEVADA	1,351	901	19	21	1,200	121	20
VERMONT	3,204	2,136	41	50	2,045	153	35
NEW HAMPSHIRE	4,097	2,731	51	63	2,357	161	40
VIRGIN ISLANDS	1,831	1,220	26	14	1,200	0	20
VIRGINIA	19,688	13,126	330	340	14,774	483	249
WASHINGTON	10,873	7,249	152	173	6,853	278	116
WEST VIRGINIA	12,715	8,477	211	222	9,890	356	167
WISCONSIN	15,734	10,490	211	266	9,518	347	161
WYOMING	2,281	1,520	34	35	1,429	137	24
STATE TOTALS	$620,954	$441,756	$10,471	$11,000	$471,665	$17,226	$7,959
RESERVE	139,072(a)	64,928	859	1,500	83,235	1,914	2,451(b)
TOTAL	$760,026	$506,684	$11,330	$12,500	$554,900	$19,140	$10,410(c)

(a)Includes designated and general reserve

(b)1,990 RRH and 461 farm labor housing

(c)An additional 14,511 units of rental assistance will be used for contract renewals and servicing; plus $15,000 is available for R.A. in prepaying projects purchased by non-profit organizations and public agencies.

APPENDIX O

FmHA Rural Housing Budget Request Levels FY 1979 - 1989
(dollars in Millions and Rounded)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
502 Subsidized R.H. Loans	$2,007	$2,007	$2,300	$2,530	$ 900	$ 280	$1,600	30	0	0	0
502 Unsubsidize R.H. Loans	674	500	472	802	0	0	0	0	0	0	0
502 Guaranteed R.H. Loans	0	500	275	0	0	0	0	0	0	0	0
504 Low Income Repair Loans	24	24	50	25	24	1	17	0	0	0	0
504 Low Income Repair Grants	24	24	25	25	12.5	0	0	0	0	0	0
514 Farm Labor Housing Loans	38	30	25.6	25.6	19	3	13	0	0	0	0
516 Farm Labor Housing Grants	38	25	25	35	23.2	4.4	0	0	0	0	0
515 Subsidized Rental Housing Loans	820	820	820	983	299	16	690	0	0	0	0
515 Unsubsidized Rental Housing Loans	48	48	48	0	0	0	0	0	0	0	0
521 Rental Assistance	370	393	393	398	185	62	116	50	0	0	0
523 Self-Help T.A. Grants	16.5	5	15	5	0	0	0	0	0	0	0
523 Land Development Loan Fund	0	0	4	4	0	0	0	0	0	0	0
524 R.H. Site Loans	1.2	1	7	5	2	0	0	0	0	0	0
525 Tech. & Supervisory Assist. Grants	0	1.2	2	2	0	0	0	0	0	0	0
509(c) Compensation for Construction Defects.	5	5	5	2	2	0	0	0	0	0	0
533 R.H. Preservation Grants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
Rural Housing Block Grants	N/A	N/A	N/A	N/A	0	850	0	0	0	0	0
Collection and Serving Contracts	0	0	0	0	0	10	0	0	0	0	0
521 Home Ownership Assistance Program (HOAP)	N/A	985	100	100	0	0	0	0	0	0	0
Rural Housing Vouchers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	378.1	381.6
Rural Hsg. Voucher Demo.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(130)	133
TOTALS:	$4,065.7	$5,368.2	$4,566.6	$4,931.6	$1,367.7	$1,226.4	$2,446.0	$80.0	0	$378.1	$5146

(a) To be funded from FY 1988 appropriations for Sec. 502 and 515.

(b) To be funded from the Rural Housing Insurance Fund.

APPENDIX P

A BRIEF INTRODUCTION TO THE FmHA RURAL HOUSING PROGRAMS

Housing Assistance Council, Inc.
June 28, 1988

A Brief Introduction to the FmHA Rural Housing Programs

The Farmers Home Administration (FmHA), an agency of the U.S. Department of Agriculture, provides a broad range of financial assistance in rural areas. Programs include financial assistance for housing, farming, communities and business enterprises. FmHA housing programs provide subsidies for homeownership, rental projects, home repair and rehabilitation. These programs are operated through a system of over 1,935 county, 260 district and 46 state offices nationwide.

Unlike HUD programs, most of FmHA's programs are not dependent on banks or other approved lending institutions. FmHA is a lender of last resort, making loans and other financial assistance directly to eligible families, sponsors or borrowers, including public bodies and nonprofit organizations.

Applications for assistance under FmHA's programs are processed directly by FmHA employees. Applications for single-family housing are submitted to the FmHA County Office serving the area, whose personnel not only receive and process the applications, but also provide counseling, supervision, and site inspections, and service the loans. Applications for multi-family housing, community assistance and business assistance are processed by the FmHA District Office serving the area, but may be submitted through the County Office. Program instructions and application forms are available at any FmHA office, listed in telephone directories under: U.S. Government, Department of Agriculture (USDA), Farmers Home Administration. Instructions may also be ordered from:

Freedom of Information Officer
Directives and Administrative
  Services Division
Farmers Home Administration
USDA South Building
14th and Independence Avenue., S.W.
Washington, D.C. 20250

I. General Requirements

FmHA programs have certain general eligibility requirements and criteria which are summarized below.

Rural Areas

With the exception if its farm labor housing program, also available in urban areas, FmHA makes housing loans and grants only in rural areas. For all other housing programs, FmHA defines rural as:

- open country which is not part of, or associated with, an urban area, or
- any town, village, city, or place, including the immediately adjacent densely settled area, which
  - (a) has a population not in excess of 2,500 and is not part of, or associated with, an urban area; or
  - (b) has a population under 10,000 if it is rural in character; or
  - (c) has a population under 20,000, is outside a Metropolitan Statistical Area (MSA), and has a serious lack of mortgage credit for low-income families, as agreed to by the Secretaries of Agriculture and Housing and Urban Development. (FmHA district and county offices provide a listing of eligible areas with populations under 20,000.)

Each FmHA County or District Office maintains a map delineating eligible rural areas.

Different definitions of "rural" apply to FmHA's community facility (e.g., water and sewer) and business loan programs.

Income Limits

- Very low-, low- and moderate income families or individuals may be eligible for FmHA housing. Funding is currently limited for new loans to very low- and low-income applicants, with the exception of Section 515 rental projects for which moderate-income households are also eligible. A family's adjusted income determines both its eligibility for FmHA housing assistance and the level of assistance provided. Adjusted income ceilings are essentially the same as those used in assisted housing by HUD. The basis being up to 50% of area median for very low-income, 80% for low-income, and $5,500 over low-income for moderate income.

"Credit Elsewhere" Conditions

- In general applicants receiving loans must be unable to obtain credit elsewhere on reasonable terms and conditions. This requirement is clearest in the case of home mortgage borrowers. However, the restriction does not apply to public housing agencies, or to any other public body applicant. The "credit elsewhere" criterion for Section 515 rental project loans is limited to the project sponsor's ability to provide housing with rentals affordable by eligible households.

Housing Types and Costs

- o Housing or public facilities built under FmHA programs must be modest in size, design, and cost. Housing financed must meet the minimum standards for the voluntary national model building codes adopted in each state and FmHA thermal standards. The housing may be located on scattered sites or in a subdivision.

Compensation for Defects

- o FmHA is authorized to compensate borrowers for construction defects. Complaints must be filed within 18 months after financial assistance is rendered; this rule applies to all new houses financed by FmHA since April 12, 1977. The program is limited to compensation for structural defects and precludes judicial review of any FmHA decision, but in HAC's experience it has been understood that "structural" is to be interpreted broadly.

Programs for the Handicapped

- o Title V of the Housing and Community Development Act of 1977 extended the use of FmHA programs for the elderly to include the handicapped. However, regulations for each program specify benefits for which the handicapped are eligible.

Authorization

- o The FmHA housing programs are authorized by Title V of the Housing Act of 1949 as amended. The numbers cited for each program; 502, 504 etc. refer to Sections in Title V.

II. FmHA Housing Programs

A. Section 502 Home Ownership Loans

Purpose:

- o Mortgage loans enable low-and very low-income households to purchase, build, repair, renovate or relocate houses, including mobile manufactured homes. Loans are also used to purchase and prepare sites, and/or provide a water supply and sewage disposal facility. Section 502 loans may be used to refinance debts when necessary to avoid losing a home or when required to provide affordability for necessary rehabilitation of a house.

Eligibility:

- Eligible applicants must have very low or low incomes. Adjusted income ceilings are the same as for the HUD Section 8 program. Families must be without adequate housing and be able to afford the mortgage payments, taxes and insurance, typically within 20% of their income, and be unable to obtain credit elsewhere. The loan they seek must be for housing which is located in a rural area. They must have a reasonable credit history. Priority is provided families with very low incomes and for those living in substandard housing.

Terms:

- Up to 33 years (38 years for those with incomes below 60% of the area median or 30 years for mobile manufactured homes).

  The interest rate on a 502 loan is set by FmHA. The interest rate is currently 9.5%. Interest credits are available which can reduce the interest rate to as low as 1%. The amount of interest credit (subsidy) is determined by family income, number of dependents, real estate taxes and insurance. There is no required down payment.

Standards:

- Housing built under the Section 502 program must be modest in size, design and cost. Houses constructed, purchased, or rehabilitated must meet the voluntary national model code, adopted for that state, and FmHA thermal standards. Manufactured housing must be permanently installed, and meet the HUD Manufactured Housing Construction and Safety Standards, together with FmHA thermal standards.

Variations: FmHA Incentive Program

- This program provides rehabilitation loans of up to $10,000 to families or elderly individuals with adjusted annual incomes under $10,000, and who own their homes. The interest rate is set at 1%, 2% or 3% depending on the amount of the family income.

Rural Housing Disaster Loans

- Loans at 5% interest rate are made under limited conditions to repair homes damaged or destroyed by a natural disaster. Deferred payments for up to three years are possible.

Conditional Commitments

- For a fee of $65 ($50 for existing houses) builders or dealer contractors may receive a commitment by FmHA to finance a given house, conditional on a qualified applicant and the availability of funds.

502 Inventory

- From time to time, FmHA also has homes for sale that have been acquired through liquidation of loans. These homes may be purchased with Section 502 credit. Priority is given to processing applications for the purchase of inventory homes.

Approval

- FmHA County Supervisor. Decisions on applications should be made within 30 to 60 days if no backlog exists.

Comments:

- Loan funds are allocated to states and county offices, or districts. Funds may be oversubscribed in a given office. However FmHA pools its unused money (usually toward the end of July) each fiscal year. Pooling generally makes all unused funds available on a first come, first served basis. Eligible applicants with viable applications should thus request processing even if a County or State Office has used its initial allocation.

Basic Information: FmHA Instruction 1944-A.

Federal Catalogue #10.410

B. Section 504 Very Low-Income Repair Loans and Grants

Purpose:

- Loans and grants of up to $7,500 with grants not exceeding $5,000 are provided to very low-income home owners to remove health and/or safety hazards. (A proposed rule would raise the total loan/grant combination to $15,000.)

Loan Eligibility:

- Homeowners with incomes below 50% of median and unable to repay a Section 502 home repair loan. The latter is normally larger than a Section 504 loan because 502 requires that the house meet property standards.

Grant Elibibility:

- Grants are available only to those 62 years of age or older or to handicapped or disabled persons. Grants are made when the person cannot repay part or all of a Section 504 loan. If the person can pay part of the cost, a combination grant/loan is made.

Terms:

- Loans are for up to 20 years at 1% interest. Grants may be recaptured if the property is sold in less than three years.

Security:

- A real estate mortgage is required for loans of $2,500 or more.

Standards:

- Properties repaired do not need to meet other FmHA code requirements, except that installation of water and waste systems and related fixtures must meet local health department requirements. Water supply and sewage disposal systems should normally meet FmHA requirements.

Approval:

- FmHA County Supervisor. Decisions on applications should be made within 30 to 60 days if no backlog exists.

Comments:

- Not all hazards must be removed with Section 504 funds provided major health and safety hazards are removed. The 1983 amendments materially altered the Section 504 program, but FmHA has not published final corrective regulations. Loans and grants may be made to improve housing and the Section 502 credit limitation will be removed when those regulations are put in place.

Basic Instruction: FmHA Instruction 1944-J

Federal Catalogue #10.417

C. Section 515 Rural Rental Housing Loans

Purpose:

- Section 515 provides direct loans to finance rental or cooperatively owned housing of economic design for very low-, low- and moderate-income families, the elderly and the handicapped. Funds can be used to construct new housing or purchase and rehabilitate existing structures for rental purposes.

  Congregate housing for the elderly and handicapped is authorized when special care operating funds are available to the project (e.g., through the HHS Office of Aging), but nursing or "special care" homes are not eligible loan purposes. Funds may also be used to buy and improve land and provide necessary facilities such as water and waste disposal systems.

Eligibility: Owners

- Individuals, partnerships, limited partnerships, for-profit corporations; nonprofit organizations, Indian tribes, and public agencies may be eligible. For-profit borrowers must agree to operate on a limited profit basis (currently 8% on initial investment).

  Borrowers must be unable to obtain credit elsewhere and eligible for housing in an FmHA Service Area. Loans to nonprofit organizations and public bodies may be for up to 100% of the appraisal value or development costs, whichever is less, plus 2% initial operating capital. Individuals, partnerships, limited partnerships and for-profit corporations operating on a limited profit basis are also eligible sponsors. Their loans cannot exceed 97% of the appraisal value or development costs, whichever is less, and the borrower must provide the 2% initial operating capital.

Tenants

- Very low- low-and moderate-income households. Priority is established for those living in substandard housing. When rental assistance is used, absolute priority is provided for very low-income households.

Terms:

- Up to 50 years at an effective 1% interest rate. A current rate (now 9.5%) is used for the promissory note but is only used to determine maximum rent payments.

  Tenants pay basic rent (rent including 1% mortgage payment) or 30% of adjusted income, whichever is greater. FmHA rental assistance subsidy can be used to limit tenant payments to 30% of income. Section 8 or state rental assistance is also utilized with Section 515 loans.

Standards:

- The voluntary national model codes and FmHA thermal standards are applicable. When moderate rehabilitation is involved (as varying from substantial rehab) a separate FmHA standard is used. FmHA maintains square foot ranges by number of bedrooms, to limit unit size. Multifamily housing design (2 or more units per building) is required.

Variations: Cooperative Housing

- Separate (and currently very out of date) rules apply for the use of Section 515 consumer cooperative loans.

Downtown Renewal Areas

- FmHA rules require that Section 515 projects be located in residential areas of communities with services. Exceptions can be made to place units in business districts as part of official renewal efforts.

Congregate Housing

- Congregate or group home services can be financed for semi-independent tenants provided there is an assured source of funding the operating costs.

Approval:

- State Directors approve loans of up to $1,500,000. District Directors may have authority to approve loans of up to $500,000. All loans above $1,500,000 must go to the FmHA National Office.

Comments:

- Projects may be on one or more sites. Scattered site authority adds flexibility. The overwhelming majority of all loans are made to entities using tax benefits. FmHA employs a weighted priority system for preapplications. Weights are assigned for the percentage of substandard housing in the community, low median community income, distance from urban centers, the lack of subsidized housing in the community, the use of non-FmHA rental assistance, elderly projects and donated land. When the weights are essentially equal, nonprofit organizations and public agencies are given priority.

  The program's fifty-year mortgages at 1% are a unique and valuable resource for sponsors of low-income rental projects.

Basic Instruction: FmHA 1944-E.

Federal Catalogue #10.415

Section 514/516 Farm Labor Housing

Purpose:

- Section 514 loans and Section 516 grants are provided to build, buy, improve or repair housing for farm laborers, including persons whose income is earned in aquaculture (fish and oyster farms). Funds can be used to purchase a site or a leasehold interest in a site; to construct the housing; to pay fees; to purchase durable household furnishings; and to pay construction loan interest.

Elibibility: Loans

- Farmers, associations of farmers, family farm corporations, nonprofit organizations, Indian tribes, public agencies and associations of farmworkers. In some instances, farmers able to get credit elsewhere may obtain loans at a rate of interest geared to the cost of federal borrowing (figure available at any FmHA office).

Grants

- Nonprofit organizations, Indian tribes, public agencies and associations of farmworkers.

Terms: Loans

- Thirty-three years at 1% interest.

Grants

- Up to 90% of development cost. Balance can be (and usually is) a Section 514 loan.

Standards:

- Same as for Section 515 except that:

  (1) Housing seasonally occupied less than year around but more than six months need only be in substantial conformance to the applicable code, provided it can be converted to Section 515 standards, and

  (2) housing seasonally occupied for six months or less must conform to FmHA's seasonal farm labor housing standards.

Approval: Loans

- The State Director approves loans of up to $400,000; District Director approves loans of up to $100,000. Larger loans are approved in National Office.

Grants

- The State Director awards grants with prior approval of the National Office.

Comments:

- Davis-Bacon wage rates are required for projects involving a Section 516 grant. When a grant is used, farmworker tenants cannot be required to work for any particular farmers.

  Farm labor housing tenants are eligible for the FmHA Rental Assistance Program. Unlike all other FmHA programs, the Farm Labor Housing Program can be used in urban areas for nearby farm labor.

Basic Instruction: FmHA 1944-D.

Federal Catalogue #:10.405

Section 521 Rural Rental Assistance (Subsidy)

Purpose:

- The program enables low-income families or individuals to reside in FmHA rural rental, cooperative or farm labor housing without paying over 30% of their income for rent. FmHA pays the owner the difference between the tenant's contribution and the FmHA monthly rental rate which includes the cost of all utilities and services. Rental assistance contracts between FmHA and the owner are for five years and are renewable. Previously, some contracts were for 20 years.

Project Eligibility:

- Both FmHA existing and newly constructed projects are eligible. Eligible projects are those operating on nonprofit or limited profit basis.

Tenant Eligibility:

- Very low- and low-income, and elderly and handicapped persons are eligible if they are unable to pay the basic monthly rent within 30% of adjusted monthly income, and when their annual adjusted income does not exceed the low-income limits defined in Exhibit C to FmHA 1944-A (Section 502). In new projects, 95% of those assisted must have very low incomes. In existing projects the corresponding figure is 75%.

Approval:

- State Director. Approval time is from 30 to 90 days.

Comments:

- The request for rental assistance is generally initiated by the borrower (project owner). However, if the borrower does not request it, people eligible for rental assistance in a project may petition the borrower to obtain rental assistance for them. There is an FmHA appeals procedures if rental assistance is denied by the borrower.

Basic Instruction: FmHA 1930-C.

Federal Catalogue: #10.427

Section 523 Self-Help Technical Assistance Grants

Purpose:

- The self-help technical assistance program provides administrative funding to organizations sponsoring self-help housing development. Under self-help, a group of families jointly contribute labor to build their own homes, which are financed under FmHA's 502 loan program. The purpose of the program is to lower the cost of housing to participating families by at least 20%.

Eligibility:

- Public and nonprofit groups must show that they have the ability to supervise a project or that they will receive assistance from a group having this ability.

Terms:

- Contracts are normally for two years.

Approval:

- FmHA State Director. Approval time should be 40 to 180 days from time the discussion begins.

Comments:

- FmHA contracts with four organizations to provide training and technical assistance to self-help sponsors, and assistance to applicants to become self-help sponsors. The organizations which provide this assistance in designated states are:

John Clay
Little Dixie C.A.A.
502 West Duke
Hugo, Oklahoma 74743
(405) 326-6407

William French
Rural Community Assistance Corporation
2125 19th Street
Suite 203
Sacramento, CA 95818
(916) 447-2854

Joe Myer
NCALL, Inc.
155 South Bradford
Box 10922
Dover, Delaware 19901
(302) 678-9400

Carol Noel
Fla. Nonprofit Housing, Inc.
P.O. Box 1987
Sebring, Florida 33870
(813) 385-2519

A family participating in a self-help program can lower the amount of the Section 502 loan by 20% or more. For example, in 1985 the average cost of one FmHA house was $42,689. Reduced by 20%, the average house would cost only $34,151. The difference in monthly principal and interest payments would be $25.36, which would be enough to allow some families with lower incomes into the program.

Basic Instruction: FmHA 1933-I (will ultimately be 1944-I).

Federal Catalogue: #10.420

Section 533 Rural Housing Preservation Grants

Purpose:

o These grants enable sponsoring organizations to assist low- and very-low income homeowners (see variations) to repair or rehabilitate their dwellings. The grants are competitive and made available in areas where there is a concentration of need.

The grant funds received by the sponsor are combined with other programs or funds, and utilized as a loan, grant or subsidy for recipient households, based on a plan contained in the sponsor's application.

Eligibility: Sponsors

o Nonprofit organizations, Indian tribes, units of local government, and state agencies.

Terms:

o Plan to use the funds in a period of up to two years.

Standards:

o Locally accepted development standards or the voluntary model national standards recognized by FmHA. The Secretary of Interior's Standards for Historical Properties apply to historic properties.

Variations:

o The law (1983) requires the program to be used also on rental properties, but FmHA has not yet issued regulations covering this.

Approval: State Director

Comments:

- FmHA annually issues RFPs in each state and rates preapplications by a weighted point system. Grantees may use up to only 20% of the HPG for administration. Historic preservation agreements require review by the State Historic Preservation Office (SHPO). The program enables local organizations to design their own programs. FmHA monitors, but does not participate in the approval process for individual homeowner recipients.

Basic Instruction: FmHA 1944-N.

Federal Catalogue: #10.433

Section 523 and 524 Rural Housing Site Loans

General:

- Loans are made to nonprofit organizations and public agencies to purchase and develop building sites, and construct streets and utilities. Section 523 loans are for self-help housing sites and Sec. 524 loans are for sites for low- and moderate-income families. Section 524 sites can also be sold to public and nonprofit organizations using federal, state or local programs to house low- and moderate-income families. All loans are repayable in two years. Section 524 loans have an FmHA market rate interest of 9.5% in June, 1988, and Section 523 loans for self-help organizations carry a 3% interest rate. Rural groups are encouraged to make better use of these resources.

Basic Instruction: FmHA 444.8

Federal Catalogue: # 10.411

Rural Housing Need and Federal Response: A Poor Fit

According to the American Housing Survey (1985), there are 4.6 million low-income households in nonmetropolitan areas with major housing problems: physically inadequate or overcrowded housing, or high housing cost burden. Most (3.4 million) of these have very low incomes. Housing problems are worst for these households in straitened circumstances, nearly a million of whom live in physically deficient units.

Federal programs, on the other hand, have addressed only a fraction of rural housing need. In 1986, HUD and FmHA together provided new or renewed assistance to about 57,000 nonmetro households. Although the paramount housing need in rural areas is for new or improved housing, funds were provided to develop or rehabilitate only about 37,000 homes; the remaining households were provided with rent supplements, such as vouchers and renewals of expiring rental assistance contracts.

Simultaneously, rural areas were losing much of their subsidized rural housing stock. Between 1984 and 1989, loans on over 7,000 FmHA-financed rental units were prepaid by project owners, who subsequently either sold their projects or instated market rate rental fees. An unknown number of HUD-subsidized units in rural areas were similarly removed from the low-income housing stock. All indications are that the loss of subsidized stock through prepayment will not only continue, but will grow as use restrictions expire.

At the current rate of assistance, and assuming that all program support was targeted to the 3.4 million very low-income households with major housing problems, it would take 60 years to eliminate nonmetro housing need. This conclusion is conservative; it (1) assumes that the need will not increase and (2) excludes the loss of thousands of subsidized rental units due to occur as project owners prepay their loans and leave the subsidy programs.

This dramatic contrast between rural housing conditions and government response indicates federal backsliding on the statutory national housing goal; it also warrants a new commitment to ensuring a decent home and suitable living environment for everyone. In rural areas, the task would be made easier by providing the necessary funds to programs which have been proven cost-effective in addressing housing need, and among these are the housing programs administered through the FmHA state, regional, and county delivery network.

Linda Kravitz
Housing Assistance Council

HAC

Housing Assistance Council Inc. • 1025 Vermont Ave., N.W. • Suite 606 • Washington, D.C. 20005 • (202) 842-8600

MEMORANDUM

TO: Matt Churchill
FROM: Art Collings
SUBJECT: Effect on State Allocations of the Underserved Areas, Legislation, Requested Data
DATE: August 30, 1989

Attached are the following:

(1) Estimated FY 1990 allocations with and without a set aside for the underserved counties. One set each for Sections 502, 515 and 521 R.A. (New 515 projects).

(2) An outline describing the estimated appropriation and how the amounts available for state allocations were calculated.

(3) Attachments from FmHA 1940-L showing state formula factors and allocations for FY 1989.

I created my own programs to calculate total allocation by state. Note: I've not entered any numbers for the 2% underserved areas set aside. This obviously can't be done until the actual counties are identified.

It doesn't appear to me as though the underserved areas set aside has any significant impact on state allocations.

	502 ($000)			515 ($000)		
	1989	1990	1990 With U.A.	1989	1990	1990 With U.A.
New York	$38,565	$41,033	$40,202	$13,572	$14,185	$13,900
N.C.	$51,757	$55,068	$53,955	$23,794	$24,870	$24,369

cc: Lee Reno
Bob Rapoza
Jon Linfield
Moises Loza

Art Collings

S.E. Office
Atlanta, GA
(404) 892-4824

S.W. Office
Albuquerque, NM
(505) 883-1003

Western Office
Mill Valley, CA
(415) 381-1706

HAC

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Calculating State Allocations Where 2% of Funds Are Reserved for Underserved Areas

(Dollars in Thousands)

A. Anticipated FY 1990 Appropriation

	House	Senate	Anticipated
1. Sec. 501	$1,341,700	$1,316,710	$1,330,000
2. Sec. 515	$ 579,900	$ 579,900	$ 579,900
3. Sec. 521 RAP*	11,308**	11,308**	11,308**

* New project RAP for Section 515 use
** Units

B. Projections for distribution - Section 502

(1) Appropriation	$ 1,330,000
(2) 2% Set aside for underserved reas	26,000***
(3) Balance	1,303,400
(4) 15% National Office Reserve	195,510
(5) Balance	1,107,890
(6) Administrative Allocations (1.07% USVI & WPTT)	11,854
(7) Available for state allocation	$1,096,036

C. Projections for distribution - Section 515

(1) Appropriation	$ 579,900
(2) 2% Set aside	11,598
(3) Balance	568,302
(4) 15% National office reserve	85,245
(5) Balance	483,057
(6) Administrative allocations (0.75% 5 States & Territories)	3,623
(7) Available for state allocation	$ 479,434

S.E. Office
Atlanta, GA
(404) 892-4824

S.W. Office
Albuquerque, NM
(505) 883-1003

Western Office
Mill Valley, CA
(415) 381-1706

D. Projections for Distribution - 521 RAP for New Section 515 projects (Units)

(1) Appropriation	11,308
(2) 2% set aside	226
(3) Balance	11,082
(4) 15% Reserve***	1,662
(5) Balance	9,420
(6) Administrative allocation (5 States & Terr 0.79%)	74
(7) Available for allocation	9,346

*** Note: in FY 1989 FmHA kept 26.5% in reserve

E. Counties in underserved areas project = 60.

F. Allocation per county

(1) 502	$ 443,333
(2) 515	$ 193,300
(3) 521 RAP	3.8

G. Calculations on attached sheets

1. Amount available for state allocation multiplied by state factor and rounded. Yields possibility of small error. See item G which shows error in the rental assistance calculations.

2. Administrative allocation. Percentages used in 1989 used for 1990.

H. Rental Assistance Calculations

(1) State Allocation	9,346
State total using factors and rounding	9,349
Error percentage	0.03%
(2) Administrative allocation	74
Total using rounded percentages	75
Error percentage	1.35%

SEC. 502 ALLOCATIONS TO STATES, FY 1990
(Dollars in Thousands)

	Formula Factor	Formula Allocation	Admin. Alloc.	Set Aside	Total Alloc.
Appropriation		1330000			
Set Aside		0			
Reserves		199500			
Admin. Alloc.		11854	11854		
Avail. to States		1118646			
Alabama	0.0280625	31392	0	0	31392
Alaska	0.003858	4316	0	0	4316
Arizona	0.0105376	11788	0	0	11788
Arkansas	0.0209475	23433	0	0	23433
California	0.0382879	42831	0	0	42831
Colorado	0.0091839	10274	0	0	10274
Connecticut	0.0077726	8695	0	0	8695
Delaware	0.0025606	2864	0	0	2864
Florida	0.0266494	29811	0	0	29811
Georgia	0.0361656	40457	0	0	40457
Hawaii	0.0034996	3915	0	0	3915
Idaho	0.0071175	7962	0	0	7962
Illinois	0.0312531	34961	0	0	34961
Indiana	0.0289595	32395	0	0	32395
Iowa	0.0186702	20885	0	0	20885
Kansas	0.0139742	15632	0	0	15632
Kentucky	0.0327309	36614	0	0	36614
Louisiana	0.0244603	27362	0	0	27362
Maine	0.0105963	11854	0	0	11854
Maryland	0.0119855	13408	0	0	13408
Massachusetts	0.0129624	14500	0	0	14500
Michigan	0.0366125	40956	0	0	40956
Minnesota	0.021338	23870	0	0	23870
Mississippi	0.0243847	27278	0	0	27278
Missouri	0.0261878	29295	0	0	29295
Montana	0.0060465	6764	0	0	6764
Nebraska	0.0089233	9982	0	0	9982
Nevada	0.0021415	2396	0	0	2396
New Hampshire	0.0064943	7265	0	0	7265
New Jersey	0.0103001	11522	0	0	11522
New Mexico	0.0087038	9736	0	0	9736
New York	0.0366806	41033	0	0	41033
North Carolina	0.0492275	55068	0	0	55068
North Dakota	0.0050541	5654	0	0	5654
Ohio	0.0426761	47739	0	0	47739
Oklahoma	0.0179142	20040	0	0	20040
Oregon	0.0146749	16416	0	0	16416
Pennsylvania	0.0508513	56885	0	0	56885
Rhode Island	0.0016268	1820	0	0	1820
South Carolina	0.024957	27918	0	0	27918
South Dakota	0.0061927	6927	0	0	6927
Tennessee	0.0309862	34663	0	0	34663
Texas	0.055067	61600	0	0	61600
Utah	0.0040623	4544	0	0	4544
Vermont	0.0050786	5681	0	0	5681
Virginia	0.0312105	34914	0	0	34914
Washington	0.0172367	19282	0	0	19282
West Virginia	0.0201561	22548	0	0	22548
Wisconsin	0.0249425	27902	0	0	27902
Wyoming	0.0036156	4045	0	0	4045
Puerto Rico	0.0264217	29557	0	0	29557
Virgin Islands	N/A	0	3192	0	3192
W. Pacific Terr.	N/A	0	8662	0	8662
Total State		1118646	11854	0	1130500

SEC. 502 ALLOCATIONS TO STATES, FY 1990
(Dollars in Thousands)

	Formula Factor	Formula Allocation	Admin. Alloc.	Set Aside	Total Alloc.
Appropriation		1330000			
Set Aside		26600		26600	
Reserves		195510			
Admin. Alloc.		11854	11854		
Avail. to States		1096036			
Alabama	0.0280625	30758	0	0	30758
Alaska	0.003858	4229	0	0	4229
Arizona	0.0105376	11550	0	0	11550
Arkansas	0.0209475	22959	0	0	22959
California	0.0382879	41965	0	0	41965
Colorado	0.0091839	10066	0	0	10066
Connecticut	0.0077726	8519	0	0	8519
Delaware	0.0025606	2807	0	0	2807
Florida	0.0266494	29209	0	0	29209
Georgia	0.0361656	39639	0	0	39639
Hawaii	0.0034996	3836	0	0	3836
Idaho	0.0071175	7801	0	0	7801
Illinois	0.0312531	34255	0	0	34255
Indiana	0.0289595	31741	0	0	31741
Iowa	0.0186702	20463	0	0	20463
Kansas	0.0139742	15316	0	0	15316
Kentucky	0.0327309	35874	0	0	35874
Louisiana	0.0244603	26809	0	0	26809
Maine	0.0105963	11614	0	0	11614
Maryland	0.0119855	13137	0	0	13137
Massachusetts	0.0129624	14207	0	0	14207
Michigan	0.0366125	40129	0	0	40129
Minnesota	0.021338	23387	0	0	23387
Mississippi	0.0243847	26727	0	0	26727
Missouri	0.0261878	28703	0	0	28703
Montana	0.0060465	6627	0	0	6627
Nebraska	0.0089233	9780	0	0	9780
Nevada	0.0021415	2347	0	0	2347
New Hampshire	0.0064943	7118	0	0	7118
New Jersey	0.0103001	11289	0	0	11289
New Mexico	0.0087038	9540	0	0	9540
New York	0.0366806	40203	0	0	40203
North Carolina	0.0492275	53955	0	0	53955
North Dakota	0.0050541	5539	0	0	5539
Ohio	0.0426761	46775	0	0	46775
Oklahoma	0.0179142	19635	0	0	19635
Oregon	0.0146749	16084	0	0	16084
Pennsylvania	0.0508513	55735	0	0	55735
Rhode Island	0.0016268	1783	0	0	1783
South Carolina	0.024957	27354	0	0	27354
South Dakota	0.0061927	6787	0	0	6787
Tennessee	0.0309862	33962	0	0	33962
Texas	0.055067	60355	0	0	60355
Utah	0.0040623	4452	0	0	4452
Vermont	0.0050786	5566	0	0	5566
Virginia	0.0312105	34208	0	0	34208
Washington	0.0172367	18892	0	0	18892
West Virginia	0.0201561	22092	0	0	22092
Wisconsin	0.0249425	27338	0	0	27338
Wyoming	0.0036156	3963	0	0	3963
Puerto Rico	0.0264217	28959	0	0	28959
Virgin Islands	N/A	0	3192	0	3192
W. Pacific Terr.	N/A	0	8662	0	8662
Total State		1096036	11854	0	1107890

SEC. 515 ALLOCATIONS TO STATES , FY 1990
(Dollars in Thousands)

	Formula Factor	Formula Allocation	Admin. Alloc.	Set Aside	Total Alloc.
Appropriation		579900			
Reserves		86985			
Set Aside		0			
Admin. Alloc.		3623	3623		
Avail. to States		489292			
Alabama	0.0327874	16043	0	0	16043
Alaska	0.0043499	2128	0	0	2128
Arizona	0.0122772	6007	0	0	6007
Arkansas	0.024529	12002	0	0	12002
California	0.0354499	17345	0	0	17345
Colorado	0.0081046	3966	0	0	3966
Connecticut	0.0050165	2455	0	0	2455
Delaware	0.0023022	1126	125	0	1251
Florida	0.0261663	12803	0	0	12803
Georgia	0.0408019	19964	0	0	19964
Hawaii	0.0037272	1824	0	0	1824
Idaho	0.0069537	3402	0	0	3402
Illinois	0.0257623	12605	0	0	12605
Indiana	0.0236177	11556	0	0	11556
Iowa	0.0157202	7692	0	0	7692
Kansas	0.0117522	5750	0	0	5750
Kentucky	0.039414	19285	0	0	19285
Louisiana	0.0295365	14452	0	0	14452
Maine	0.0101246	4954	0	0	4954
Maryland	0.010188	4985	0	0	4985
Massachusetts	0.0093225	4561	0	0	4561
Michigan	0.0301872	14770	0	0	14770
Minnesota	0.0194218	9503	0	0	9503
Mississippi	0.0311598	15246	0	0	15246
Missouri	0.0255082	12481	0	0	12481
Montana	0.0055681	2724	0	0	2724
Nebraska	0.0077613	3798	0	0	3798
Nevada	0.0017715	867	379	0	1246
New Hampshire	0.0050354	2464	0	0	2464
New Jersey	0.0071748	3511	0	0	3511
New Mexico	0.0109067	5337	0	0	5337
New York	0.0289916	14185	0	0	14185
North Carolina	0.0508284	24870	0	0	24870
North Dakota	0.0049179	2406	0	0	2406
Ohio	0.0362698	17747	0	0	17747
Oklahoma	0.0185916	9097	0	0	9097
Oregon	0.0126876	6208	0	0	6208
Pennsylvania	0.0403055	19721	0	0	19721
Rhode Island	0.0011702	573	666	0	1239
South Carolina	0.0278229	13614	0	0	13614
South Dakota	0.0067145	3285	0	0	3285
Tennessee	0.0342906	16778	0	0	16778
Texas	0.0589722	28855	0	0	28855
Utah	0.0040595	1986	0	0	1986
Vermont	0.0043676	2137	0	0	2137
Virginia	0.0315604	15442	0	0	15442
Washington	0.01464	7163	0	0	7163
West Virginia	0.021127	10337	0	0	10337
Wisconsin	0.0203333	9949	0	0	9949
Wyoming	0.0030537	1494	0	0	1494
Puerto Rico	0.0568971	27839	0	0	27839
Virgin Islands	N/A	0	1226	0	1226
W. Pacific Terr.	N/A	0	1226	0	1226
Total State		489292	3622	0	492914

SEC. 515 ALLOCATIONS TO STATES , FY 1990
(Dollars in Thousands)

	Formula Factor	Formula Allocation	Admin. Alloc.	Set Aside	Total Alloc.
Appropriation		579900			
Reserves		85245			
Set Aside		11598		11598	
Admin. Alloc.		3623	3623		
Avail. to States		479434			
Alabama	0.0327874	15719	0	0	15719
Alaska	0.0043499	2085	0	0	2085
Arizona	0.0122772	5886	0	0	5886
Arkansas	0.024529	11760	0	0	11760
California	0.0354499	16996	0	0	16996
Colorado	0.0081046	3886	0	0	3886
Connecticut	0.0050165	2405	0	0	2405
Delaware	0.0023022	1104	125	0	1229
Florida	0.0261663	12545	0	0	12545
Georgia	0.0408019	19562	0	0	19562
Hawaii	0.0037272	1787	0	0	1787
Idaho	0.0069537	3334	0	0	3334
Illinois	0.0257623	12351	0	0	12351
Indiana	0.0236177	11323	0	0	11323
Iowa	0.0157202	7537	0	0	7537
Kansas	0.0117522	5634	0	0	5634
Kentucky	0.039414	18896	0	0	18896
Louisiana	0.0295365	14161	0	0	14161
Maine	0.0101246	4854	0	0	4854
Maryland	0.010188	4884	0	0	4884
Massachusetts	0.0093225	4470	0	0	4470
Michigan	0.0301872	14473	0	0	14473
Minnesota	0.0194218	9311	0	0	9311
Mississippi	0.0311598	14939	0	0	14939
Missouri	0.0255082	12229	0	0	12229
Montana	0.0055681	2670	0	0	2670
Nebraska	0.0077613	3721	0	0	3721
Nevada	0.0017715	849	379	0	1228
New Hampshire	0.0050354	2414	0	0	2414
New Jersey	0.0071748	3440	0	0	3440
New Mexico	0.0109067	5229	0	0	5229
New York	0.0289916	13900	0	0	13900
North Carolina	0.0508284	24369	0	0	24369
North Dakota	0.0049179	2358	0	0	2358
Ohio	0.0362698	17389	0	0	17389
Oklahoma	0.0185916	8913	0	0	8913
Oregon	0.0126876	6083	0	0	6083
Pennsylvania	0.0403055	19324	0	0	19324
Rhode Island	0.0011702	561	666	0	1227
South Carolina	0.0278229	13339	0	0	13339
South Dakota	0.0067145	3219	0	0	3219
Tennessee	0.0342906	16440	0	0	16440
Texas	0.0589722	28273	0	0	28273
Utah	0.0040595	1946	0	0	1946
Vermont	0.0043676	2094	0	0	2094
Virginia	0.0315604	15131	0	0	15131
Washington	0.01464	7019	0	0	7019
West Virginia	0.021127	10129	0	0	10129
Wisconsin	0.0203333	9748	0	0	9748
Wyoming	0.0030537	1464	0	0	1464
Puerto Rico	0.0568971	27278	0	0	27278
Virgin Islands	N/A	0	1226	0	1226
W. Pacific Terr.	N/A	0	1226	0	1226
Total State		479434	3622	0	483056

SEC. 521 RAP ALLOCATIONS TO STATES , FY 1990
(Units For Sec. 515 New Projects)

	Formula Factor	Formula Allocation	Admin. Alloc.	Set Aside	Total Alloc.
Appropriation		11308			
Reserves		1696			
Set Aside		0			
Admin. Alloc.		74	74		
Avail. to States		9538			
Alabama	0.0327874	313	0	0	313
Alaska	0.0043499	41	0	0	41
Arizona	0.0122772	117	0	0	117
Arkansas	0.024529	234	0	0	234
California	0.0354499	338	0	0	338
Colorado	0.0081046	77	0	0	77
Connecticut	0.0050165	48	0	0	48
Delaware	0.0023022	22	3	0	25
Florida	0.0261663	250	0	0	250
Georgia	0.0408019	389	0	0	389
Hawaii	0.0037272	36	0	0	36
Idaho	0.0069537	66	0	0	66
Illinois	0.0257623	246	0	0	246
Indiana	0.0236177	225	0	0	225
Iowa	0.0157202	150	0	0	150
Kansas	0.0117522	112	0	0	112
Kentucky	0.039414	376	0	0	376
Louisiana	0.0295365	282	0	0	282
Maine	0.0101246	97	0	0	97
Maryland	0.010188	97	0	0	97
Massachusetts	0.0093225	89	0	0	89
Michigan	0.0301872	288	0	0	288
Minnesota	0.0194218	185	0	0	185
Mississippi	0.0311598	297	0	0	297
Missouri	0.0255082	243	0	0	243
Montana	0.0055681	53	0	0	53
Nebraska	0.0077613	74	0	0	74
Nevada	0.0017715	17	8	0	25
New Hampshire	0.0050354	48	0	0	48
New Jersey	0.0071748	68	0	0	68
New Mexico	0.0109067	104	0	0	104
New York	0.0289916	277	0	0	277
North Carolina	0.0508284	485	0	0	485
North Dakota	0.0049179	47	0	0	47
Ohio	0.0362698	346	0	0	346
Oklahoma	0.0185916	177	0	0	177
Oregon	0.0126876	121	0	0	121
Pennsylvania	0.0403055	384	0	0	384
Rhode Island	0.0011702	11	14	0	25
South Carolina	0.0278229	265	0	0	265
South Dakota	0.0067145	64	0	0	64
Tennessee	0.0342906	327	0	0	327
Texas	0.0589722	562	0	0	562
Utah	0.0040595	39	0	0	39
Vermont	0.0043676	42	0	0	42
Virginia	0.0315604	301	0	0	301
Washington	0.01464	140	0	0	140
West Virginia	0.021127	202	0	0	202
Wisconsin	0.0203333	194	0	0	194
Wyoming	0.0030537	29	0	0	29
Puerto Rico	0.0568971	543	0	0	543
Virgin Islands	N/A	0	25	0	25
W. Pacific Terr.	N/A	0	25	0	25
Total State		9538	75	0	9613

SEC. 521 RAP ALLOCATIONS TO STATES , FY 1990
(Units For Sec. 515 New Projects)

	Formula Factor	Formula Allocation	Admin. Alloc.	Set Aside	Total Alloc.
Appropriation		11308			
Reserves		1662			
Set Aside		226		226	
Admin. Alloc.		74	74		
Avail. to States		9346			
Alabama	0.0327874	306	0	0	306
Alaska	0.0043499	41	0	0	41
Arizona	0.0122772	115	0	0	115
Arkansas	0.024529	229	0	0	229
California	0.0354499	331	0	0	331
Colorado	0.0081046	76	0	0	76
Connecticut	0.0050165	47	0	0	47
Delaware	0.0023022	22	3	0	25
Florida	0.0261663	245	0	0	245
Georgia	0.0408019	381	0	0	381
Hawaii	0.0037272	35	0	0	35
Idaho	0.0069537	65	0	0	65
Illinois	0.0257623	241	0	0	241
Indiana	0.0236177	221	0	0	221
Iowa	0.0157202	147	0	0	147
Kansas	0.0117522	110	0	0	110
Kentucky	0.039414	368	0	0	368
Louisiana	0.0295365	276	0	0	276
Maine	0.0101246	95	0	0	95
Maryland	0.010188	95	0	0	95
Massachusetts	0.0093225	87	0	0	87
Michigan	0.0301872	282	0	0	282
Minnesota	0.0194218	182	0	0	182
Mississippi	0.0311598	291	0	0	291
Missouri	0.0255082	238	0	0	238
Montana	0.0055681	52	0	0	52
Nebraska	0.0077613	73	0	0	73
Nevada	0.0017715	17	8	0	25
New Hampshire	0.0050354	47	0	0	47
New Jersey	0.0071748	67	0	0	67
New Mexico	0.0109067	102	0	0	102
New York	0.0289916	271	0	0	271
North Carolina	0.0508284	475	0	0	475
North Dakota	0.0049179	46	0	0	46
Ohio	0.0362698	339	0	0	339
Oklahoma	0.0185916	174	0	0	174
Oregon	0.0126876	119	0	0	119
Pennsylvania	0.0403055	377	0	0	377
Rhode Island	0.0011702	11	14	0	25
South Carolina	0.0278229	260	0	0	260
South Dakota	0.0067145	63	0	0	63
Tennessee	0.0342906	320	0	0	320
Texas	0.0589722	551	0	0	551
Utah	0.0040595	38	0	0	38
Vermont	0.0043676	41	0	0	41
Virginia	0.0315604	295	0	0	295
Washington	0.01464	137	0	0	137
West Virginia	0.021127	197	0	0	197
Wisconsin	0.0203333	190	0	0	190
Wyoming	0.0030537	29	0	0	29
Puerto Rico	0.0568971	532	0	0	532
Virgin Islands	N/A	0	25	0	25
W. Pacific Terr.	N/A	0	25	0	25
Total State		9346	75	0	9421

FmHA INSTRUCTION 1940-L
EXHIBIT A, ATTACHMENT 3
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FARMERS HOME ADMINISTRATION
MULTI-FAMILY HOUSING ALLOCATIONS
(IN THOUSANDS)

STATE	FORMULA FACTOR	RURAL RENTAL HOUSING FORMULA ALLOC.	BASE/ ADMIN.	TOTAL FY 89	RENTAL ASSISTANCE FORMULA ALLOC.	BASE/ ADMIN.	TOTAL FY 89
Alabama	0.0327874	15,348	0	15,348	259	0	259
Alaska	0.0043499	2,036	0	2,036	34	0	34
Arizona	0.0122772	5,747	0	5,747	97	0	97
Arkansas	0.0245290	11,483	0	11,483	194	0	194
California	0.0354499	16,595	0	16,595	280	0	280
Colorado	0.0081046	3,794	0	3,794	64	0	64
Delaware	0.0023022	1,078	122	1,200	18	2	20
Maryland	0.0101880	4,769	0	4,769	80	0	80
Florida	0.0261663	12,249	0	12,249	207	0	207
Georgia	0.0408019	19,100	0	19,100	322	0	322
Hawaii	0.0037272	1,745	0	1,745	29	0	29
W. Pacific Areas	0.0000000	0	1,200	1,200	0	20	20
Idaho	0.0069537	3,255	0	3,255	55	0	55
Illinois	0.0257623	12,060	0	12,060	204	0	204
Indiana	0.0236177	11,056	0	11,056	187	0	187
Iowa	0.0157202	7,359	0	7,359	124	0	124
Kansas	0.0117522	5,501	0	5,501	93	0	93
Kentucky	0.0394140	18,450	0	18,450	311	0	311
Louisiana	0.0295365	13,827	0	13,827	233	0	233
Maine	0.0101246	4,740	0	4,740	80	0	80
Massachusetts	0.0093225	4,364	0	4,364	74	0	74
Connecticut	0.0050165	2,348	0	2,348	40	0	40
Rhode Island	0.0011702	548	652	1,200	9	11	20
Michigan	0.0301872	14,131	0	14,131	238	0	238
Minnesota	0.0194218	9,092	0	9,092	153	0	153
Mississippi	0.0311598	14,587	0	14,587	246	0	246
Missouri	0.0255082	11,941	0	11,941	202	0	202
Montana	0.0055681	2,607	0	2,607	44	0	44
Nebraska	0.0077613	3,633	0	3,633	61	0	61
New Jersey	0.0071748	3,359	0	3,359	57	0	57
New Mexico	0.0109067	5,106	0	5,106	86	0	86
New York	0.0289916	13,572	0	13,572	229	0	229
North Carolina	0.0508284	23,794	0	23,794	402	0	402
North Dakota	0.0049179	2,302	0	2,302	39	0	39
Ohio	0.0362698	16,979	0	16,979	287	0	287
Oklahoma	0.0185916	8,703	0	8,703	147	0	147
Oregon	0.0126876	5,939	0	5,939	100	0	100
Pennsylvania	0.0403055	18,868	0	18,868	318	0	318
Puerto Rico	0.0568971	26,635	0	26,635	449	0	449
South Carolina	0.0278229	13,024	0	13,024	220	0	220
South Dakota	0.0067145	3,143	0	3,143	53	0	53
Tennessee	0.0342906	16,052	0	16,052	271	0	271
Texas	0.0589722	27,606	0	27,606	466	0	466
Utah	0.0040595	1,900	0	1,900	32	0	32
Nevada	0.0017715	829	371	1,200	14	6	20
Vermont	0.0043676	2,045	0	2,045	35	0	35
New Hampshire	0.0050354	2,357	0	2,357	40	0	40
Virgin Islands	0.0000000	0	1,200	1,200	0	20	20
Virginia	0.0315604	14,774	0	14,774	249	0	249
Washington	0.0146400	6,853	0	6,853	116	0	116
West Virginia	0.0211270	9,890	0	9,890	167	0	167
Wisconsin	0.0203333	9,518	0	9,518	161	0	161
Wyoming	0.0030537	1,429	0	1,429	24	0	24
STATE TOTALS	1.0000000	468,120	3,545	471,665	7,900	59	7,959
N/O RESERVES				83,235			1,990 (RRH) 461 (LH)
TOTALS				554,900			10,410

FARMERS HOME ADMINISTRATION
FISCAL YEAR 1989 ALLOCATION IN THOUSANDS
SECTION 502 SUBSIDIZED RURAL HOUSING LOANS

STATES	STATE BASIC FORMULA FACTOR	STATE BASIC FORMULA ALLOCATION	ADMINISTRATIVE ALLOCATION	TOTAL FY 1989 ALLOCATION
ALABAMA	0.0280625	29,504	N/A	29,504
ALASKA	0.0038580	4,056	N/A	4,056
ARIZONA	0.0105376	11,079	N/A	11,079
ARKANSAS	0.0209475	22,024	N/A	22,024
CALIFORNIA	0.0382879	40,255	N/A	40,255
COLORADO	0.0091839	9,656	N/A	9,656
DELAWARE	0.0025606	2,692	N/A	2,692
MARYLAND	0.0119855	12,601	N/A	12,601
FLORIDA	0.0266494	28,019	N/A	28,019
GEORGIA	0.0361656	38,024	N/A	38,024
HAWAII	0.0034996	3,679	N/A	3,679
W. PACIFIC AREAS	N/A	N/A	8,279	8,279
IDAHO	0.0071175	7,483	N/A	7,483
ILLINOIS	0.0312531	32,859	N/A	32,859
INDIANA	0.0289595	30,447	N/A	30,447
IOWA	0.0186702	19,629	N/A	19,629
KANSAS	0.0139742	14,692	N/A	14,692
KENTUCKY	0.0327309	34,413	N/A	34,413
LOUISIANA	0.0244603	25,717	N/A	25,717
MAINE	0.0105963	11,141	N/A	11,141
MASSACHUSETTS	0.0129624	13,628	N/A	13,628
CONNECTICUT	0.0077726	8,172	N/A	8,172
RHODE ISLAND	0.0016268	1,710	N/A	1,710
MICHIGAN	0.0366125	38,494	N/A	38,494
MINNESOTA	0.0213380	22,434	N/A	22,434
MISSISSIPPI	0.0243847	25,638	N/A	25,638
MISSOURI	0.0261878	27,533	N/A	27,533
MONTANA	0.0060465	6,357	N/A	6,357
NEBRASKA	0.0089233	9,382	N/A	9,382
NEW JERSEY	0.0103001	10,829	N/A	10,829
NEW MEXICO	0.0087038	9,151	N/A	9,151
NEW YORK	0.0366806	38,565	N/A	38,565
NORTH CAROLINA	0.0492275	51,757	N/A	51,757
NORTH DAKOTA	0.0050541	5,314	N/A	5,314
OHIO	0.0426761	44,869	N/A	44,869
OKLAHOMA	0.0179142	18,835	N/A	18,835
OREGON	0.0146749	15,429	N/A	15,429
PENNSYLVANIA	0.0508513	53,464	N/A	53,464
PUERTO RICO	0.0264217	27,779	N/A	27,779
SOUTH CAROLINA	0.0249570	26,239	N/A	26,239
SOUTH DAKOTA	0.0061927	6,511	N/A	6,511
TENNESSEE	0.0309862	32,578	N/A	32,578
TEXAS	0.0550670	57,898	N/A	57,898
UTAH	0.0040623	4,271	N/A	4,271
NEVADA	0.0021415	2,252	N/A	2,252
VERMONT	0.0050786	5,340	N/A	5,340
NEW HAMPSHIRE	0.0064943	6,828	N/A	6,828
VIRGIN ISLANDS	N/A	N/A	3,051	3,051
VIRGINIA	0.0312105	32,814	N/A	32,814
WASHINGTON	0.0172367	18,122	N/A	18,122
WEST VIRGINIA	0.0201561	21,192	N/A	21,192
WISCONSIN	0.0249425	26,224	N/A	26,224
WYOMING	0.0036156	3,801	N/A	3,801
STATE TOTALS	1.0000000	1,051,380	11,330	1,062,710
DESIGNATED RESERVE				74,000
GENERAL RESERVE				130,000
TOTAL				1,266,710

THE MIGRANT AND OLDER FARMWORKER HOUSING ACT OF 1988: A NEW APPROACH

Prepared by the Housing Assistance Council
August 1988

I. Introduction

It is almost universally acknowledged that migrant and seasonal farmworkers, with the possible exception of Indians, are the most poorly paid and ill-housed group of workers in the nation. Federal programs which should assist farmworkers are inadequate in both design and funding, relying as some do on a rather unrealistic assumption that growers have a greater responsibility to house their workers than the employers of any other industry. In some cases it has been inimicable to the interests of farmworkers to tie housing to their employment.

While it is clear to most that farmworkers are one of the nation's poorest, least protected groups, much less well recognized are the problems of elderly farmworkers. After a life of toil, many older farmworkers may find themselves in an even worse situation than they experienced during their working years. Active agricultural employees--whether young or old--can at least still work. But older farm laborers are likely to be impoverished and have health problems, usually live in poor housing, often do not qualify for Social Security or other assistance programs, and may have no place to turn. Complicating this situation is the scarcity of knowledge about elderly farmworkers, especially those who are retired.

This paper, prepared by Housing Assistance Council, suggests programs to address the severe housing problems of farmworkers--active and retired.

We recommend:

* A new, accurate count of farmworkers and a survey of their housing needs.

* A new program to provide housing for migrant farmworkers.

* A new program providing housing to retired, elderly, and disabled farmworkers.

* A setaside of housing programs that serve farmworkers and/or the elderly.

We have also included as an appendix an alternative funding plan which would assure the long term viability of housing programs necessary for farmworkers.

II. The Programs

A. Census of Farmworkers

We recommend that a new national survey of the farmworker population be undertaken.

The U.S. Department of Commerce's Bureau of the Census and the U.S. Department of Agriculture are the principal sources of data on the agricultural labor force. Both these agencies have acknowledged that farm laborers are undercounted. According to the Census Bureau, the poor, Blacks and Hispanics, males, and Southerners are the four groups that suffer a preponderance of undercounting. These four groups are also overrepresented among farmworkers: most farmworkers are low-income; a majority are Hispanic or Black (despite the Census reporting of a White majority); and majorities of farmworkers are also male and from the South or Southwest. If the Census count of farmworkers were more accurate, cross comparisons of data could also begin to provide a correspondingly more accurate view of the older farmworker. That group--retired as well as still active elderly farmworkers--is largely unknown and ignored.

A new population survey should be undertaken as soon as possible, but we also urge changes in the decennial census. A major reason for the farmworker undercount is that the decennial census is taken in early April. There are few harvests and little other agricultural work requiring hired labor underway in that period in most of the nation. But the numerous census questions on a respondent's occupation refer to the job or jobs held "last week." Since in March there are few people doing farmwork, farmworkers are undercounted. Their most recent job or their job last week may not represent most of the work they have done during the past year.

Respondents should be asked to report both their farm and non-farm wages (Question 32 on the 1980 Census long form). The Census currently asks respondents to report self-employment income from both farm and non-farm sources. But the same distinction is not sought for wage and salary income.

This change could be made in the 2000 Census. In the interim, we also believe that it is very important for additional research to be undertaken by other federal agencies to obtain a more complete picture of farmworkers of all ages. The new national survey of farmworkers called for in this bill would help fulfill that function.

B. Quantitative Assessment of Migrant Housing Need

Because migrants travel from a home base, each may reside in several shelters throughout the year. Congress should direct the Department of Housing and Urban Development and the Department of Commerce's Bureau of the Census to conduct jointly a national assessment of total migrant shelter needs, either directly or through eligible State Planning Offices. (See "PLAN" under "C" below.)

The assessment would compare (1) the migrant population at its peak in every location having a significant migrant influx with (2) the supply of safe, sanitary, and weathertight units available for their use in that location. Based upon the shortfalls in individual locations, the assessment would also calculate the total number of additional or rehabilitated units needed to meet the shelter needs of migrants.

(This assessment method was demonstrated feasible and fruitful by InterAmerica Research Associates, which almost a decade ago produced the National Farmworker Housing Study. IRA found an unmet need for about 800,000 units nationwide.)

The quality of existing units would be assessed according to standards developed by HUD, which would also train any subcontractees to use such standards in their assessments.

C. Migrant Shelter Grant Program

PURPOSE. To provide safe and decent shelter, as well as cooking and sanitary facilities, for migrant farmworkers and their families while they are working away from their permanent homes.

PLAN. Each state desiring to participate in the Migrant Shelter Grant Program shall develop a statement of migrant-labor housing need for each agricultural crop within the state which utilizes migratory labor. The statement shall, at a minimum, describe the crop to be harvested, the normal month(s) of harvest, and the average number of migrant farmworkers engaged in that harvest over a recent 3-year period, by location within the state. The statement shall further list by number of units and location, whether for single workers or families, the labor housing facilities available for migrant workers, and at the time of inspection, the number of units at each site which met the health and sanitary standards established by the Farmers Home Administration in 7 CFR 1924 (a) (Exhibit I). No unit not inspected within 18 months of the submission shall be deemed to meet the health and sanitary standards.

Based upon such statement, each state desiring to participate shall develop a detailed plan for the location of additional migrant labor housing units, if any, needed within the state to fulfill the purpose of this section. Such plan shall provide the number and type of units recommended at each location, the approximate cost for land and supporting infrastructure and cost per unit. Such plan shall additionally suggest the local agency (public or community-based private nonprofit) which may be expected to operate and maintain the property year-round, and the annual cost of that management, including an offset of the per diem rent payment made by each worker.

PAYMENT. Any state desiring to participate may submit its state migrant housing plan, with the supporting statement, to the Secretary of Agriculture with a request for funding assistance. The Secretary shall be authorized to make grants of money to each participating state for 100 percent of the development and construction costs, except for any land and infrastructure cost exceeding 25 percent of total development costs. The Secretary may further enter into agreements to reimburse the local management agent for up to 50 percent of annual operation and maintenance costs for so long as the housing shall be needed for farm labor housing.

D. Housing Program for Retired and Disabled Farmworkers

The U.S. Department of Agriculture's biannual Agricultural Work Force report shows that 15 percent of migrant and seasonal farmworkers in 1985 were age 45 or older and 7 percent were age 55 and older. The USDA statistics for 1985 and earlier years are highly flawed, as the Department itself acknowledges, but they are at present the only data source on older farm laborers. The USDA hired farm labor force report for 1983 reveals that older persons make up a relatively large part of the migrant farmworker population and minority farmworkers (especially Blacks); women are an important part of the older farmworker population; many older farmworkers work the equivalent of full-time in agriculture; and older farmworkers are more likely than their younger counterparts to earn a substantial part of their incomes from agricultural labor. As these workers age and become unable to continue working, their housing plight becomes desperate.

PURPOSE. To provide retired and disabled farmworkers--who are unable to continue to make a living from farmwork because of advanced age and the physical wear from years of farmwork--with decent, safe, sanitary, and affordable housing.

PLAN. Any local government, or community based non-profit housing organization located in a state where significant numbers of migratory or seasonal farmworkers customarily reside when not engaged in agricultural labor, may seek assistance from the Secretary of Agriculture to build, buy, renovate or rehabilitate housing suitable for retired or disabled farmworkers, which meets or will meet, all local building standards.

Eligible program beneficiaries would be farmworkers (their spouses and minor children) who:

- Are at least 50 years of age or are disabled.
- Have received a majority of their income from agricultural labor for five of the last eight years before their disability or retirement.

- Have a combined family income at or below the poverty level.

PAYMENT. The Secretary shall be authorized to make grants to eligible local applicants for all of the reasonable development, acquisition and/or rehabilitation costs of modest dwelling units suitable for elderly or disabled farmworkers who are single, married or with extended families. The Secretary is further authorized to enter into agreements with the local public or community based organization to pay up to 50 percent of the operating and management costs of any rental properties acquired, so long as eligible tenants are charged no more than 20 percent of their gross family income for all shelter costs. Such payments may include the operational cost only of special recreational, therapeutic, leisure or medical facilities directly associated with the property.

III. Administration

In order to administer the Migrant Shelter Grant Program and the Housing Program for Retired and Disabled Farmworkers, the Secretary of Agriculture shall establish within the national office of the Farmers Home Administration the Office of Farmworker Programs (OFP). The OFP will be responsible for administering the Section 514/516 loan and grant program through state FmHA offices; administering any program which may be established; and directly operating the migrant farmworker shelter program and the elderly farmworker housing program, including receipt and processing of applications, approval and disbursement of grant funds and monitoring and servicing of accounts.

Grantmaking and servicing decisions for the migrant and elderly programs are to be executed by the Office of Farmworker Programs, but FmHA state and district offices may be consulted as deemed necessary.

IV. Conclusion

The programs proposed here would help remedy several key problems for one of the poorest groups in America. Farmworkers are the lowest-paid occupational group in the United States, but we know less about them than soybeans. For example, Agricultural Statistics, an annual volume published by USDA, contains hundreds of pages of data on crops and livestock but very little on farmworkers. The 1984 statistics volume has five tables on hired farm labor and 533 tables on grain, feed, cotton, tobacco, oilseeds, fruits, vegetables, cattle, dairy products, poultry, and other commodities. We do not even know the number of farmworkers, and even less is known about the plight of older farmworkers. A new national survey of farmworkers and their housing needs, as well as a few simple corrections in the decennial Census, could provide a much better picture of farmworkers and serve as a foundation for other investigations.

New housing programs for migrant and retired farmworkers will begin to meet the need for decent shelter. Alternatively establishing retired-farmworker setasides in a range of federal programs will help fill the gaps.

APPENDIX

An Optional Financing Mechanism

We suggest alternative methods of financing the above programs, though we believe the first to be most equitable. In 1986, commerical production of vegetables for the fresh market and for processing, along with the commerical production of tree fruits and nuts amounted to $13.5 billion.* Virtually all of those crops are labor intensive requiring millions of hours of labor both in the fields and packing sheds.

Labor is needed when the crop is ready for harvest. Delay all too often means disaster. While we know of no scientific study on the subject, there is considerable evidence that adequate housing for workers is a major inducement for migrant workers to elect certain areas of work rather than others. (Why else do growers provide housing?) It would seem to follow then, that, after the farmworkers themselves, growers would be the principal beneficiaries of an adequate supply of decent housing.

We propose therefore that each wholesale buyer, processor or shipper of farm table crops fruits and nuts pay a surcharge of one (1) percent of the price paid producers into a National Farmworkers Housing Trust Fund (TRUST). Accruing about $135 million annually, such a fund would be used, at Congressional direction, to provide housing for migrant farmworkers while traveling, and for elderly, retired and disabled farmworkers.

An alternative financing mechanism is suggested by the Section 32 program of the Agriculture Marketing Service. Thirty percent of all duties collected on imports into the United States is placed in a special fund at the Treasury, and drawn as needed by A.M.S. for expanding outlets for various agriculture commodities. The program dates to the mid-1930s and of course has changed over the years. Some of the money is now used for the school lunch and other nutrition programs. Thirty percent of all the duties collected on imported fishery products is transferred to the Department of Commerce and used in the development and promotion of U.S. commercial fishing. A.M.S. uses some of the money for administering agreement and market order programs. The fund, in 1987 amounted to about $4.2 billion. Three percent of that fund directed into farmworker housing programs, in the same fashion funds are directed into the commercial fishery program, would amount to about $125 million annually. Duties on agricultural commodities only, amounted to $686 million in 1987. ** Again, as with the fisheries program, one might set aside 30 percent of that amount--$205 million--for farmworker housing. It could be tied even more closely to farm labor by taking 30 percent of the duties collected only on imported vegetables and fruits. That would amount to about $105 million annually. **

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* See Tables 1 and 2.

** See Table 3

We believe any of these devices to be logical, rational methods for assuring the longer term financing necessary to address the desperate farmworker housing need.

If any of these approaches are used it would be possible to reduce or eliminate the set-asides for farmworkers in existing programs. Otherwise we are left with seeking increased appropriations for those essential programs. Past efforts in that direction have not been notably successful.

** See Table 3

The following tables on the farm value of commercial vegetables, fruits and nuts are derived from data in tables 1109 and 1110 in the 1988 Statistical Abstract of the United States. Figures are in millions.

TABLE 1.

1986 Farm Value - Commercial Vegetable Crop.

ASPARAGUS	$ 137	LETTUCE	$ 701
BEANS, ALL	529	ONIONS	428
BROCCOLI	240	PEAS, GREEN	94
CARROTS	236	POTATOES, ALL	1,871
CAULIFLOWER	192	STRAWBERRIES	504
CELERY	211	TOMATOES	1,265
CORN, SWEET	360	ALL OTHER	144
CUCUMBERS	113	TOTAL	$ 7,025

TABLE 2.

1986 FARM VALUE - COMMERCIAL FRUITS AND NUTS

APPLES	$ 1,068	PINEAPPLES	$ 100
AVOCADOS	157	PLUMS AND PRUNES	190
CHERRIES, ALL	1,163	ALMONDS	462
CITRUS, ALL	1,731	MACADAMIA NUTS	35
CRANBERRIES	189	PECANS	196
GRAPES	1,170	PITACHIOS	89
NECTARINES	76	WALNUTS, ENGLISH	194
OLIVES	63	ALL OTHER	108
PEACHES	327		
PEARS	199	TOTAL	$6,517

The following data is taken from Census Publication FT 990, Table 4, December cummulative totals for ech year listed. Figures are in millions.

TABLE 3.

IMPORT DUTIES COLLECTED ON PRODUCTS FOR CONSUMPTION

	1985	1986	1987
TOTAL PRODUCTS	$ 13,067	$ 13,312	$ 13,923
AGRICULTURE COMMODITIES	692	680	686
MEAT & MEAT PREPARATIONS	43	41	45
DAIRY PRODUCTS AND EGGS	38	39	40
FISH, SHELFISH & PREPARATIONS	45	46	44
VEGETABLES AND FRUITS	347	343	357
BEVERAGES AND TOBACCO	197	186	79

NATIONAL RURAL HOUSING COALITION

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Budget Analysis -- Rural Housing Programs Fiscal Year 1990

The President's Fiscal Year 1990 budget will virtually bring to an end federal rural housing programs administered by the Farmers Home Administration (FmHA).

FmHA administers loans, grants and related assistance for housing for low income rural people and their communities. The President proposes to replace some $2 billion in rural housing lending and related assistance with $100 million in rural rental housing loans, and $360 million in vouchers.

Rural housing programs have been greatly reduced in previous fiscal years. Rural housing lending was reduced by about 40% in FY '86 alone. The President's budget also proposes a loan sale of $4.51 billion. This sale will yield revenues of only $1.7 billion.

The Bush budget does not address the future of a number of programs slated for elimination under the Reagan plan. These include programs important to housing low income families living in bad housing: loans for home ownership, self help technical assistance grants, low income repair loans, farm labor loans and rural rental assistance.

The Administration proposes 20,000 housing vouchers for rural areas in FY '90. However, the Administration does not propose funding for the rental assistance program which aids very low income households living in rural rental housing.

In FY '90, some 10,000 rental assistance contracts will expire. FmHA will be forced to use 50% of the vouchers available to continue existing commitments. In addition, close to 4,000 vouchers will be needed to implement the preservation provisions of the '87 Housing Act. If the Administration's plan is approved, the number of new families assisted by Farmers Home Administration will drop from 55,000 in FY '89 to 6,000 in FY '90.

Under the Administration proposal, the number of families assisted will be dramatically reduced. In addition, the type of assistance provided will be changed as the Administration proposes to eliminate new construction and rehabilitation programs in favor of vouchers.

The bulk of FmHA funding is in the form of subsidized loans. Some $1.27 billion is provided for single family loans under Section 502. Close to 90% of 502 loans are in rural areas with populations of less than 10,000. The average annual income of Section 502 borrowers is about $13,500 and the law requires that 40% of Section 502 mortgage aid go to very low income households (50% of median).

The Section 515 loan program, for which $555 million is appropriated for FY '89, provides reduced interest loans to public and private sponsors to finance the acquisition, construction and repair of multi-family housing for low income and elderly households. The average annual income of Section 515 tenants is about $8,000. About 40% of all Section 515 units are occupied by elderly households.

The Section 515 program is also an important resource for preservation of existing rural rental housing. The 1987 Housing Act authorized the use of rural rental housing funds to finance equity loans and the purchase of projects by non-profits or public bodies.

Prior to the passage of the '87 legislation, some 150,000 rural rental housing units were subject to prepayment and conversion to other than low income use at any time. The legislation prohibits prepayment and requires owners to apply for incentives -- such as an equity loan -- or to offer the project to sale for a non-profit or public body. However, this prohibition is waived in the event that Congress does not appropriate funds for the Section 515 program.

Program Performance

Virtually all FmHA housing assistance is limited to low income households -- those with income at or below 80% of the area median income. In Fiscal '88 the majority of FmHA assistance went to very low income households -- those with incomes which do not exceed 50% of the median income.

FmHA reports indicated that some 50,000 units were financed by Sections 502 (home ownership loans), 504 (loans and grants) 514/516 (farm labor housing loans and grants) and 515 (rural rental housing loans). Of this number 54.6% went to very low income families. In addition, virtually all units produced under housing preservation grants and rural rental assistance go to very low income families. In FY '88 close to two thirds of FmHA assistance went to households with incomes below 50% of median income.

Despite serving poor households, the FmHA program has been remarkably successful in protecting the government's interest. The default rate on rural housing loan programs is about 1%. The 90 day delinquency rate in rural housing loans is 1.5%. Since its inception, some 2 million economically disadvantaged families have gained decent housing through FmHA housing assistance.

During the period between 1970 and 1980 the incidence of substandard housing in rural America dropped by 42%. It is not a coincidence that this drop in bad rural housing occurred as federal rural housing loans and related assistance programs were on the rise. Termination of these programs means an end to the progress made in solving the rural housing problem.

Rural Housing Need

The farm crisis has exacerbated the lack of credit in rural areas. Agricultural banks, those with at least 17.5% of their loans to agriculture, constitute about 55% of all banks but accounted for more than half of the bank failures in 1984.

Savings & Loan Institutions (S&L's) play a less prominent role than in big cities. Only 44.8% of non-metro counties had S&L's headquartered there. And non-metro lending institutions are less likely to use federal secondary markets than those located in metro areas.

In rural America, subsidized credit is absolutely essential to improving housing for the poor. The high incidence of substandard housing as measured by lack of complete plumbing, lack of adequate drinking water, inadequate heat and inadequate waste disposal facilities makes a production and repair program, such as that administered by FmHA, essential.

According to the National Housing Task Force, some 4.3 million low income households in non-metropolitan areas currently experience housing problems. Of this number close to two million have significant problems with the units themselves, including a lack of plumbing.

Low paying jobs and the seasonal nature of work, when coupled with the downturn in natural resource based economies important to rural America, have prevented our small towns from participating in the recent improvement in the nation's economy. Non - metropolitan areas now have a higher rate of poverty and unemployment than our big cities.

The non-metro poverty rate is 18.3%. There are currently over 200 non-metro counties with poverty rates above 20% and substandard housing rates above 10%. Close to 30% (679) of the nation's non-metro counties have poverty rates of 20% or higher.

Selected Housing Characteristics for Rural Areas

	Units	% Rural
Units lacking complete plumbing	1,449,767	65
Units lacking adequate drinking water	2,789,225	95
Units lacking adequate heat	6,176,102	65

Source: 1980 Census

Rural Housing Production

There is a continuing gap between supply and demand of rural housing units for all buyers. The Congressional Research Service estimated annual housing production requirements in rural areas from 1986 to 1990 to be 625,000 units, while the supply of units is estimated to be 550,000 units.

Demand for Funds

The shortfall in rural housing production is reflected in the high level of demand for FmHA funding. As of January 31, 1989, FmHA has almost $1.5 billion worth of Section 515 rural rental housing applications eligibile for funding; this is almost three times the amount of funds available in Fiscal '89.

In Fiscal '88 FmHA received some 145,000 applications for Section 502 home ownership loans. Of this number, only about 35,000 received assistance; only one low income family in three applying for assistance received a loan in FY '88.

At the current rate of funding for rural housing assistance, sponsors of low income housing and low income households can expect to wait about three years to receive a loan. Further reductions in funding will only extend that wait.

Administration Proposal

The Administration's budget would change the emphasis of federal rural housing policy from new construction and substantial rehabilitation to a program which assists families in meeting their housing costs. Rural housing production would drop from about 54,000 units to less than 3,000. About 6,000 new households will be assisted with vouchers.

The Administration proposal is based on the premise that there is an adequate supply of standard housing available to rent in rural America. This is not the case. There is a disproportionate amount of substandard housing in rural America. Some 38% of the nation's bad housing is in rural areas, and according to the Congressional Research Service, rural rental housing is twice as likely to be substandard as rental housing in big cities.

The lack of adequate rental housing means that voucher assistance is not, by itself, an adequate response to the rural housing problem. Under the administration proposal low income families in rural areas will be more likely than not to be forced to continue to live in bad housing; the key element in addressing the low income housing problem in rural America is the lack of adequate housing. The Administration plan does not address this problem.

The Administration's proposal will not provide for the 20,000 units as advertised. Instead, voucher funds will probably be used to renew expiring rental assistance contracts. Ultimately, not more than 10,000 vouchers will be available for new commitments.

Finally, vouchers are not the lowest cost measure of assistance for low income housing. A study by the Housing Assistance Council indicates that the subsidy cost of the Section 502 program -- $2,900 in the first year and dropping to an average of $890 per borrower -- compares favorably with the cost of the voucher: $3,500 per year. The average income of the families served in the HAC study is $9,600, which is below the poverty line. This does not account for recapture of interest subsidy which is required of all Section 502 borrowers. Since the establishment of subsidy recapture in 1980, over $140 million has been returned to the Treasury by Section 502 borrowers.

Fiscal '88 Actual, Fiscal 89 Allocated,
Fiscal '90 Proposed

STATE	FY88 * (actual)	FY89 ** (allocated)	FY90 *** (proposed)
AL	44.9	46.9	0
AK	3.4	6.4	0
AR	42.6	37.9	0
AZ	30.5	17.7	0
CA	107.7	59.2	0
CO	17.5	14.1	0
CT	22.2	10.9	0
DE	7.9	6.8	0
FL	81.4	41.9	0
GA	62.4	59.6	0
HA	10.3	5.8	0
IA	33.2	28.1	0
ID	11.7	11.2	0
IL	47.4	46.7	0
IN	29.9	43.1	0
KS	12.5	21.1	0
KY	59.5	55.4	0
LA	62.3	41.4	0
MA	61.5	18.7	0
MD	33.7	18.1	0
ME	71.6	16.6	0
MI	78.7	54.6	0
MN	36.6	32.8	0
MO	47.4	41.2	0
MS	90.7	42.1	0
MT	8.3	9.4	0
NE	14.1	13.6	0
NH	25.4	9.6	0
NJ	39.7	14.8	0
NM	22.7	15.1	0
NY	74.4	54.1	0
NC	88.9	78.7	0
ND	5.9	8.1	0
NV	11.6	3.6	
OH	74.2	64.2	0
OK	32.4	28.2	0
OR	30.7	22.3	0
PA	89.5	75.1	0
PR	56.7	57.6	0
RI	8.7	2.9	0
SC	60.4	40.8	0
SD	13.2	10.2	0
TN	81.5	50.4	0
TX	73.7	89.3	0
UT	9.2	9.2	0
VT	21.7	7.8	0
VA	67.1	49.4	0
WA	25.9	46.1	0
WV	33.7	31.9	0
WI	49.7	37.2	0
WY	7.8	5.5	0

($ in millions)

* includes secs. 502, 515, 521 plus less than $40 million in secs. 504, 514 & 533.

** secs. 502 & 515 only

*** $100 million in Section 515 loans available for all 50 States

A Fair Share of Housing Subsidy for Rural Areas

The Relationship of Need to Distribution of Housing Subsidy in Rural Areas And the Programs Anticipated in S. 565

Reproduced from a paper by Art Collings
for the National Rural Housing Coalition

August 29, 1989

A Fair Share of Housing Subsidy for Rural Areas

The Affordable Housing Act (S-565), also known as the Cranston-D'Amato bill, provides both new programs and program directions for federally assisted housing efforts. Without judging the merits of the policy changes and directions we have separately examined the bill's authorization levels from a rural equity position. To accomplish this we have used nonmetro data, which are the collected data most closely identified to the FmHA rural areas (housing definition).

The accompanying Table A evidences how inequitable the bill is without nonmetro or rural set asides for the new programs and even changes to some existing programs. Rural (nonmetro) areas should receive between 29 and 33 percent of total housing subsidy based on housing related need factors. Based on nonmetro use in 1986 we estimate that implementation of the "Affordable Housing Act" will yield a 14.8 percent nonmetro share of federal housing subsidy. This is clearly unfair.

The number of metropolitan statistical areas is increasing. As this continues to happen, the nonmetro share of housing problems and need will decrease and adjustments to fair share formulas would be necessitated. Currently, however, nonmetro areas are being shortchanged with abandon. It is significant to note that 38 percent of the nations poverty population lives in nonmetro areas, yet only 22.8 percent of nonmetro tenants receive subsidy.

Equity demands that the level of subsidy used in nonmetro areas be increased. We recommned that the following percentages of funds be mandated as a nonmetro set aside.

Home/HOP	30%
Elderly & Handicapped Housing	30%
Section 8	30%
Public housing	25%
Homeless Assistance	20% (primarily for migrant farmworkers)

These changes would increase the nonmetro share to $3,982,622,000 or 28.6 percent of the total. Through targeting FmHA should be able to increase their nonmetro share to 90 percent and this would bring the total "fair share" to 28.8 percent.

Table A: Subsidy distribution, Affordable Housing Act

Table B: Subsidy for FY 1990 in the Title V progrm levels proposed in the National Affordable Housing Act

Table C: National Affordable Housing Act, changes in funding over CBO baseline for FY 1991.

Table A

Subsidy Distribution
Affordable Housing Act
(Dollars in Thousands)

Programs	Authorization Level	Subsidy Level(1)	Non Metro Percentage(2)	Nonmetro Share
Home Corp./HOP	$ 3,129,000	$ 3,129,000	0(3)	0
Project Retrofit/ CHSP	52,150	52,150	0(3)	0
Elderly & Handicapped Housing	1,727,703	1,727,703(4)	20.8%	359,362
Section 8	3,888,876	3,888,876	17.7%	688,331
Public Housing	4,236,435	4,236,435	11.1%	470,244
Indian Public Hsg.	98,705	98,705	98.0%	96,830
Rural Housing:				
Rental Assistance	299,000	299,000	85.0%	254,150
Grant Programs	53,923	53,923	85.0%	45,750
Loan Authority	2,004,203	173,860(5)	85.0%	147,781
Homeless Assistance	251,363	251,363	0	0
Totals:	$15,741,358	$13,911,015	14.8%	$2,062,448

(1) Grants, rental assistance and interest subsidy
(2) Based on 1986 HUD and FmHA data, which was the last year for which housing condition data is available
(3) No nonmetro set aside
(4) Program change. Currently a direct loan program (Section 202) and in 1986 the interest rate was 9.25%
(5) Table B explains the subsidy level for these programs.

Nonmetro Need Factors Item	Nonmetro Percentage of Total
Poverty Population	38.0%
Occupied housing with problems	29.7%
Occupied housing units	32.2%
Average of the above	33.2%

Other Significant Indicator	Percentage
Percentage of all nonmetro tenants receiving subsidy	22.8%

Table B

Total Subsidy for FY 1990 in the Title V Program Levels Proposed In the National Affordable Housing Act (Cranston D'Amato)

A. Basic Levels Proposed in the National Affordable Housing Act

1.	Rental Assistance	$299,000,000
	Change from FY 1989	+ 2.9%
2.	Grant Programs	$53,923,000
	Change from FY 1989	+ 8.6%
3.	Loan Authority	$ 2,004,203,000
	Change from FY 1989	+ 8.6%

B. Interest Subsidy Assumptions for the Loan Authority

1. Level for each program is current (1989)+8.6%
2. Assumed government borrowing at 10.5%
3. Program by program data.

Program	Level	Average Payment Rate	Interest Credit	Total Subsidy
502 Low	823,737,460	3%	7.5%	$61,780,310
502 VLI	549,158,306	1%	9.5	52,170,039
504	12,279,771	1%	9.5	1,166,578
514	12,442,345	1%	9.5	1,182,023
515	605,408,157	1%	9.5	57,513,775
523	541,914	3%	7.5	40,644
524	617,782	9.75%	0.75	4,633
Balance	17,265	1%	9.5%	1,640
TOTAL	2,004,203,000			$173,859,642

TOTAL Title V Subsidy	Subsidy
Rental Assistance	$299,000,000
Grant Programs	53,923,000
Loan Authority	173,859,642
TOTAL Title V Subsidy	$526,782,642

Table C

National Affordable Housing Act
Changes in Funding over CBO Baseline FY 1991

	Funding Increase	Percentage Change
Home/HOP	$ 3,129,000,000	N/A
Proj Retrofit/CHSP	46,150,000	+769.2%
Elderly:		
Advance (includes handicapped)	393,343,000	+85.5%
*Rental	(529,945,000)	-50.3%
Handicapped:		
**Rental	(34,707,000)	- 9.0%
Section 8:		
Rental Assistance	897,738,000	+37.2%
Prop. Disposition	1,749,000	+ 0.5%
Loan Management	825,000	+ 0.5%
Other	192,000	+ 0.6%
SRO's	3,582,000	+ 7.3%
Public Housing:		
Operating Costs	120,400,000	+ 6.9%
Modernization	193,114,000	+10.8%
Construction	4,462,000	+ 1.2%
Indian	1,713,000	+ 1.8%
Rural Housing:		
Rental Assistance	0	0
Grant Programs	0	0
Loan Authority	0	0
Homeless Assistance	120,363,000	+91.9%
TOTAL:	$4,347,976,000	+38.2%

* 4959 unit increase (70.4%)
** 2653 unit increase (113.0%)

All non rural housing programs	$4,347,976,000	+48.1%
All non rural housing unit change	+187,924	+233.0%

Council For Rural
Housing And Development

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RURAL SURVIVAL ALERT NO. 11

GAO REPORT AFFIRMS PROGRAM'S SUCCESS

The General Accounting Office (GAO) recently released a report entitled, "Rural Rental Housing: Cost Information on FmHA's Section 515 Program and Other Rural Housing Options." This is an important document because it substantiates the success of the Section 515 program in serving very low-income households in rural areas.

The GAO review of the Section 515 program was conducted at the request of the Senate Committee on Banking, Housing and Urban Affairs and its Subcommittee on Housing and Urban Affairs. Specifically, GAO was requested to:

- identify whom the program is serving and where housing is being provided;
- assess ways to reduce program costs;
- compare program costs with costs of other federal housing options; and
- identify state programs that provide housing assistance in rural areas.

GAO reported the following results of its study:

- The program is benefitting mostly very low income households in rural areas.
- Almost half of the households contacted by GAO paid reduced rents after moving into Section 515 apartments.

- Of three rural housing programs analyzed (the Section 515 program, the Section 502 single family homeownership program and a housing voucher program), the Section 515 program was found to be the least expensive alternative.
- Cost saving measures to further reduce rents and save in subsidy costs have beeen identified and already offered as a proposed regulation to be published as a final rule very soon.
- Five states, California, Florida, Hawaii, Massachusetts, and New York were identified as having housing programs specifically targeted to low-income households in rural areas. [Note: Since this study was conducted, at least one other state, Maine, has implemented a rural housing assistance program.]

The attached sheet summarizes the highlights of the GAO study. It is a useful tool to use with Congressional Representatives in discussing the value of the Section 515 program and can be filed under Tab A of the Rural Survival Handbook issued to CRHD members last January.

Free copies of the entire GAO report may be obtained from:
U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, MD 20877

The first five copies of the report are free. Additional copies are $2.00 each. Orders must be prepaid by check or money order made out to the Superintendent of Documents. The request should include the title of the publication and its number, GAO/RCED-87-96.

Council For Rural
Housing And Development

Highlights of the GAO Report

RURAL RENTAL HOUSING:
COST INFORMATION ON FmHA'S SECTION 515 PROGRAM AND OTHER HOUSING OPTIONS.

RESULTS IN BRIEF:

- The Section 515 program is benefitting mostly very low income households in rural areas.
- Almost half of the households GAO contacted paid reduced rents after moving into Section 515 apartments.
- Of three rural housing assistance programs analyzed - the Section 515 program, the Section 502 homeownership program and a housing voucher program - the Section 515 program is the least expensive way to serve very low-income tenants.

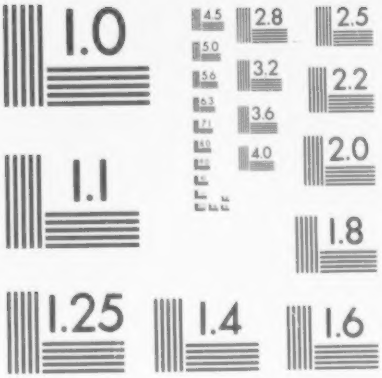
PRINCIPAL FINDINGS

Program Beneficiaries: FmHA data on about 269,000 Section 515 households show that their average income was about $8,200. About 250,000, or 93 percent, were low-income. GAO compared the rents of about 1,100 households before and after moving into Section 515 housing and found that 49 percent paid lower rents under Section 515. When rents rose, it was often because households previously lived with family members and paid no rent or because their Section 515 unit was an improvement over their prior housing.

Project Location: According to FmHA records, 93 percent of Section 515 projects are located in areas with populations under 10,000, and more than half are in areas of 2,500 or less. In addition, most projects are a considerable distance from population centers of over 50,000 and about half are over 50 miles away. Generally, these projects were also less expensive to build than those in more densely populated areas.

Comparative Costs of Housing Options: GAO found that the Section 515 program was generally the least expensive way to serve very low income households. As household incomes rose, vouchers became the least costly method. For example, GAO estimated that with the Section 515 program, the 20-year subsidy cost of serving an $8,000-income household was $18,797 compared with $29,015 using housing vouchers (assuming an 8-percent federal borrowing rate and a 4-percent inflation). Section 502 costs tend to approximate Section 515 costs but are generally somewhat higher for very low-income households.

CENTIMETERS



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